

Guns Ready, U.S. Troops Prepare to Quit Somalia

Looking Back Over a Yearlong Mission, Soldiers Say It Was, and Remains, a War

By Rick Atkinson
Washington Post Service
MOGADISHU, Somalia — A year after wading ashore for what was supposed to be a quick mission of mercy in Somalia, the United States military is putting the final touches on plans for a guns-soaked withdrawal from an urban guerrilla war, according to senior American officers.



Michael Peters, left, and Lars Christiansen in the German court on Wednesday. Mr. Peters got a life term; Mr. Christiansen, 10 years.

2 Neo-Nazis Given Tough Sentences for Killing Turks

German Verdicts Signal Courts' Harder Stance Against the Far Right

By Stephen Kinzer
New York Times Service
BERLIN — A German court handed down heavy sentences Wednesday against two neo-Nazis who last year killed firebombers at houses where Turks lived, killing a grandmother and two girls.

Angry Voices Weigh In at GATT Talks

By Keith Bradsher
New York Times Service
GENEVA — Asian and Latin American nations reacted furiously Tuesday to trade compromises reached Tuesday between the United States and the European Community but appeared unlikely to hold up the global trade talks going on here.

Racial Motive Seen in N.Y. Rail Killings

Black Man Who Shot Commuters Hates Whites, Police Say
GARDEN CITY, New York — A gunman accused of methodically killing four passengers and wounding 19 others on a rush-hour commuter train in suburban New York acted out of racial animus, the authorities said Wednesday.

Delors Defends His Prescription For Europe's Employment Ills

By Tom Buerkle
International Herald Tribune
BRUSSELS — Jacques Delors staged a combative defense of his plan for curing Europe's unemployment crisis on Wednesday, making it clear that he will take a fighting stance into what looks like his last European summit meeting as a real power broker.

With New Eyes, Hubble Now Waits for New Wings

By Kathy Sawyer
Washington Post Service
HOUSTON — After sailing through four days of delicate eye and brain surgery on the Hubble Space Telescope, the crew of the space shuttle Endeavour was ready late Wednesday to complete the mission's fifth and final repair outing and spread the Hubble's shiny new 40-foot solar wings.



A FINAL EMBRACE — President Bill Clinton with Howard Paster, head of his congressional liaison office, after signing the NAFTA accord Wednesday. Mr. Paster and another White House aide, Roy Neel, are resigning to become lobbyists. Page 3.

NATO Will Open Eventually to East

BRUSSELS (Reuters) — North Atlantic Treaty defense ministers agreed Wednesday that East European nations will be able to join the alliance at some point and that Russia, which opposes such a move, would not be able to veto eastward expansion of the alliance.

U.S. Mail Gets the Celebrity Route to Counter Red Ink

By Bill McAllister
Washington Post Service
WASHINGTON — Is there life after Elvis? Or as Postmaster General Marvin T. Runyon Jr. would probably phrase it: Is there money after Elvis?

Table with Newsstand Prices for various countries including Bahrain, Cyprus, Denmark, Finland, etc.

Table with Dow Jones and Trib Index data, including values for Up, Down, and various currency rates.

Vertical text on the left margin including 'PEOPLE', 'INTERVIEW', 'RIB', 'NEW YORK TIMES', 'ARRAY OF COM...', 'PRIZE WINNING', 'COLUMNISTS', 'any day.'

Vertical text on the right margin including 'SERIALS DIVISION', 'col- the- nes- cts- nec', 'm- have- the- at- is- af- aff- did- the- c- to- mg', 'is- a- ter- EC- ke- is- of- EC- ab- ra- va- nd', 'to', 'ned- as- jar- ate- eth- ach- led- s-', 'to- the- my- the- for- at- a- see- os-', 'es- vr- pe- of- its- p- ty- in- 15- as- 3- 1- 25', 'ie- is- t-', 'A lawyer for the relatives, Hans-Christian Ströbele, described the verdict as "the most meaningful one that has been handed down by a German court against right-wing radicals." "It shows that Turks in Germany can get fair treatment from German courts," Mr. Ströbele said.



STATESIDE / THE REVOLVING DOOR



HEALTH CARE FEEDBACK — Hillary Rodham Clinton, head of the Clinton administration's health care task force, listening to discussion of the administration's proposal for reforming the nation's medical system at a roundtable in Boston. The session lasted for more than three hours.

Prolonging Rich Tradition, 2 Aides Become Lobbyists

By Ann Devroy
WASHINGTON — The first two senior officials to leave the Clinton White House will head major lobbying or public-relations concerns here, following a long Washington tradition that President Bill Clinton promised to stop.

Mr. Clinton vowed to "end the revolving door from public service to private gain, and both of the officials leaving — Howard Paster, head of the congressional liaison office and Roy M. Neel, deputy chief of staff — insist that they will not lobby the White House.

Mr. Clinton was taking several other steps to curb the influence of lobbyists, such as limiting tax deductions for lobbying and expanding from one to five years the period in which officials could not lobby their former agencies.

Mr. Neel said he "feels perfectly comfortable" about lobbying Congress. "The public interest is not well served by having no one from the private sector go into government or having no one from government go out to the private sector," he said.

Beefing Up Protection for GIs
Pentagon Fear: Attacks With Poison Gas or Atom Arms

By Michael R. Gordon
WASHINGTON — To guard against Third World threats, the Pentagon is undertaking a major effort to protect American troops against poison gas, biological agents and nuclear weapons.

In the Gulf War, the U.S. military also had great difficulty in searching for Iraq's Scud missiles and found itself without enough vaccines to protect American troops against possible germ weapons.

Outdated Storage Sites
Leaking Radioactivity

By Matthew L. Wald
WASHINGTON — Millions of pounds of highly radioactive reactor fuel have been sitting in Energy Department storage pools for so long that the fuel and storage equipment are breaking down and spreading radioactivity, according to the Energy Department.

rotting, allowing radioactive material to escape. In other cases, the uranium itself is in a metallic form and as soon as the aluminum in which it is wrapped develops a leak, the uranium rusts and contaminates the water in the pools.

POLITICAL NOTES

President Firmly Behind Elders

WASHINGTON — President Bill Clinton said Wednesday that he disagreed with the suggestion by Surgeon-General Joycelyn Elders that legalizing drugs could help make streets safer, but that he would "stand behind her four square."

that it had awarded former Secretary of State George P. Shultz \$281,398 to reimburse him for legal fees he incurred in 1992 while he was a subject of the Iran-contra investigation conducted by the independent counsel, Lawrence E. Walsh.

Wolfgang Paul Dies, Shared Nobel
For Work on Ions and Electrons

BONN — Wolfgang Paul, 80, who was awarded the Nobel Prize in Physics in 1989 for his work in isolating ions and electrons, died of heart failure here Monday.

he believed, that the world would be done in by natural forces. "If we are to be destroyed we will do it ourselves by warfare with thermo-nuclear weapons," he wrote in his essay "Basic Science and the Pentagon."

GI in Germany
Decapitates Wife's Lover

AGENCE FRANCE-PRESSE
FULDA, Germany — An American soldier cut off the head of his pregnant wife's lover and put it on her bedside table in a hospital here where she was about to give birth, a spokesman at the German public prosecutor's office said Wednesday.

Advertisement for Sprint WorldCupUSA94. Includes the headline "The card that speaks your language." and a list of international phone numbers for various countries.

Away From Politics
American schools employ fewer teachers than they do support staff such as guidance counselors, bus drivers and cafeteria workers, the Paris-based Organization for Economic Cooperation and Development reported.

Advertisement for Patricia Wells' restaurant guide. Includes the headline "Rate the world's best restaurants with Patricia Wells." and a photo of Patricia Wells.

# 5 Days to Pullout, Israel Bolsters Troops

By Clyde Haberman  
New York Times Service

**BETHLEHEM, Israel**—Occupied West Bank — Five days before Israel was scheduled to begin pulling back its forces in the Gaza Strip and part of the West Bank, it went in the opposite direction Wednesday, significantly bolstering troop strengths in an effort to control a recent surge of violence.

Despite the reinforcements, Palestinian gunmen shot and seriously wounded an Israeli who was shopping in Bethlehem across from the traditional burial place of the biblical patriarch Rachel.

It was the latest in a long series of attacks that have left at least 50 Jews and Arabs dead and several hundred wounded since Israel and the Palestine Liberation Organization agreed in September on introducing Palestinian self-rule to the occupied territories.

With violence lately overshadowing what are supposed to be talks about peace — and with militants on both sides threatening to do whatever it takes to torpedo the Israeli-PLO accord — the Israeli authorities decided on a muscle-flexing display to show that they are still in charge.

Thousands of soldiers were sent into the West Bank and Gaza, reportedly more than at any point since the early days of the Palestinian uprising, which enters its seventh year on Thursday.

But officials insisted that the buildup was a temporary measure, and did not represent a retreat from Israel's commitment to begin withdrawing its forces, starting in Gaza and the West Bank town of Jericho, once all the security arrangements are worked out with the PLO.

The two sides have set Monday as their deadline, but it increasingly looks as if they will need more time to work out key details.

Prime Minister Yitzhak Rabin told Israeli newspaper editors that Israel had four times as many troops in the territories as in southern Lebanon and along the Lebanese border. He said there were 130 companies in the territories; that would amount to about 14,000 soldiers.

It was a rare disclosure about troop strength, normally a top secret, and it strongly suggested a political maneuver to show that no matter how loudly Jewish settlers in the territories proclaim that they have been abandoned, the government is still committed to protecting them.

As expected, however, settlers and their rightist supporters were not assuaged, especially since the buildup is also intended as a check on gun-toting extremists within their ranks who have vowed to bring down the Rabin government.

Rightists stepped up street protests against the agreement with the PLO, which they call treasonous.

The troop reinforcements left parts of the territories looking as besieged as at any time during the Palestinian uprising.

For a second day, a 24-hour curfew was imposed on Hebron, where militant settlers and Palestinians are locked in a struggle that has killed three people in recent days.

Bethlehem, too, was put under curfew for a while because of the shooting of the Israeli, Yair Cohen, who lives in a nearby settlement. Israeli soldiers conducted house-to-house searches, holding several hundred Palestinians for questioning and then letting most of them go.

"We still need to show we're in control of the situation," an Israeli official said. "We're still there. But it doesn't mean that we're not going to get out of there."

**Delay Acceptable to U.S.**

Secretary of State Warren M. Christopher said Wednesday that the United States would not object if Israel delayed its troop withdrawal from the Gaza Strip and Jericho, provided the PLO also agreed, Reuters reported from Cairo.

"If the two parties would agree that they need a few more days or whatever period of time to work out existing problems," Mr. Christopher said, the United States "would not have an independent judgment that was adverse."

But he urged Israel and the PLO to carry out their accord soon.

"The sooner they can begin the actual implementation, the more progress that will be made and the less the likelihood of violence," Mr. Christopher said.

Continued from Page 1

Mr. Hoffman and Mr. Musgrave were also scheduled to repair the power supply of one of the telescope's four science instruments, a light-splitting spectrometer, and conduct an impromptu second trip to the top of the telescope to put a homemade cover over a loose sensor housing that could flake off and contaminate the telescope's interior.

The long, flat connectors on the SADE units resemble those on the back of most personal computers, according to Mr. Hoffman, each with two little screws. And they are on the back of a module in a tight workspace. Although most elements of the telescope were designed to be serviced by astronauts wearing fat spacegloves and therefore use fixtures that are "EVA-friendly," this hardware was considered unlikely to need servicing and, in a money-saving measure, was built more traditionally, officials said. Transistor overheating, however, has caused one of the two units to fail.

The crew is equipped with a device called a hairclip, which resembles a wire clothespin, designed to clamp down on the small screws so they do not float off into the telescope when loosened.

If the crew deals with the SADE connectors and other remaining tasks in the same unuffled manner in which they have tackled the first nine, officials said, there should be no major problems.



Lady Thatcher leaving the inquiry after her testimony Wednesday. She parried polite but pointed questions from Lord Justice Scott.

# Thatcher Tells Inquiry She Wasn't Informed of Sensitive Sales to Iraq

By Richard W. Stevenson  
New York Times Service

**LONDON** — Former Prime Minister Margaret Thatcher said Wednesday she had been unaware that junior ministers relaxed a prohibition on sales of militarily sensitive goods to Iraq in 1988, allowing President Saddam Hussein's regime to buy British weapons-making equipment in the years before the Gulf War.

Testifying for the first time in an official inquiry into the sales, Lady Thatcher said she wished she had been kept informed of the change. She said, however, that she viewed the shift even now as technical, limited in effect and not a fundamental policy change that required her approval or public disclosure.

Lady Thatcher, who led the Conservative government until November 1990, four months after the Iraqi invasion of Kuwait, said in response to questions at the inquiry that she had not knowingly misled Parliament when she told the House of Commons in 1989 that guidelines on weapons sales to Iraq formulated in late 1984 had not been changed.

"This particular answer given was what I believed to be correct," she said.

Asked whether Parliament should have been informed of the change, Lady Thatcher, who frequently referred to her tenure in office in the present tense, replied: "I would not like to answer that question without considering it with my ministers."

Lady Thatcher spent most of the day parrying polite but pointed questions from Lord Justice Scott, the High Court judge who is leading the inquiry, and his chief assistant, Presley Baxendale.

The inquiry is to issue a public report next year, but has no power to bring criminal charges, and witnesses have been granted a near-blanket immunity from prosecution.

Occasionally turning combative, the former prime minister repeatedly turned aside suggestions that the policy shift outlined in government documents and previous testimony to the inquiry amounted to a major change in the way Britain dealt with requests by its manufacturers to export "dual use" equipment to Iraq.

Such equipment, including machine tools, has civilian uses but can also be employed in the production of weaponry.

Under the 1984 guidelines, Britain effectively prohibited sales of weaponry and dual-use machinery to both Iraq and Iraq, which were at war at the time.

After the cease-fire between those two countries in 1988, Britain began responding to requests from its exporters by allowing the sale of dual-use equipment to Iraq, although the Thatcher government did not publicly disclose the change.

"It seems to me abundantly clear that when they proposed these changes they viewed it as a change of circumstances rather than a change of policy," Lady Thatcher said.

The inquiry was set up by Prime Minister John Major last year following the collapse of a criminal case against the top executives of Matrix Churchill, an Iraq-owned, British-based company that was selling machine tools to Iraq in the late 1980s.

The executives had been charged with violating export laws, but the charges were dropped after government officials acknowledged they had known that the equipment might be used for military purposes.

Lady Thatcher said that she had not been consulted about the granting of export licenses to Matrix Churchill.

## GATT: Asians and Latins Furious

Continued from Page 1

an support for numerous changes in the draft text of the talks. The changes would allow Washington and Brussels to continue imposing steep taxes, known as anti-dumping tariffs, on low-priced imported goods, often from Asia and Latin America.

"They attempt to push this at the last minute and they try to ram it through — it's again an indication of lack of sensitivity to developing countries," said Kristinassy Kewaswamy, a Singapore envoy.

Koro Besho, a Japan Foreign Ministry negotiator, said the Brussels deal was bad for Japan on anti-dumping and did not go far enough in cutting tariffs on electronics, scientific instruments, paper, pulp and toys.

Meanwhile, American congressional leaders, executives, labor representatives, lobbyists and environmentalists who fought for and against the North American Free Trade Agreement have been pouring into Geneva in recent days to fight shoulder to shoulder against various provisions in the draft accord.

The influx is one of the first signs of a looming political problem for the Clinton administration in winning congressional approval of the GATT accord.

Senator Daniel Patrick Moynihan of New York, worried about America's ability to retaliate against dumping, and Senator John

## SPACE: Another Hubble Success

Continued from Page 1

wearing fat spacegloves and therefore use fixtures that are "EVA-friendly," this hardware was considered unlikely to need servicing and, in a money-saving measure, was built more traditionally, officials said. Transistor overheating, however, has caused one of the two units to fail.

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## NEO-NAZIS: Verdicts Signal Tough German Stance

Continued from Page 1

humans." Both men had attended meetings of far-right groups, and Mr. Peters admitted that he had participated in other attacks on foreigners. In the firefighting confessions they later retracted, both men said they had intended only to scare people, not to kill anyone.

An anonymous caller who alerted the fire department to the two attacks in Mölln, apparently Mr. Peters, shouted, "Heil Hitler!" at the end of his calls.

One of the defense lawyers, while not conceding his client's guilt, argued in his summation that the defendants were "two especially weak people" who were driven to anti-social acts because such acts were "an expression of self-assertion and the resulting need for validation."

The chief prosecutor conceded that this might be true, but said it did not overshadow the crime or its political motivation.

Judge Ehrlich evidently agreed. He said he sympathized with the

## TRAIN: A Racial Motive in N.Y. Commuter Killings

Continued from Page 1

my seat, for real, knowing this man was going to kill people indiscriminately," said Carl A. Petersen, 48, of Garden City.

Passengers said the man fired repeatedly, then reloaded and fired again. Mr. Petersen worked his way to the vestibule, where passengers normally wait to get off. He and several others were hoping to escape when the doors opened, but the gunman fired several shots at the waiting passengers.

Kevia Blum of Garden City said

## TRAIN: A Racial Motive in N.Y. Commuter Killings

Continued from Page 1

the gunman ran out of bullets, then stood in the train aisle with a blank look on his face. That was when Mr. Blum and two other passengers tackled him.

"It looked like a good time," said Mr. Blum, a 42-year-old Wall Street businessman. "He was standing in the aisle with the gun in his hand and as we came toward him, the gun dropped."

Mr. Ferguson bought his weapon legally in California after a 15-day waiting period required by state law, according to the store that sold it to him.

Lee Montoya, an official of Turner's Outdoorsman in Chino, California, said the sale, on May 5, was routine. Information about Mr. Ferguson was filed with California officials. Mr. Montoya said, and "nothing raised any red flags as to why he could not have a handgun."

The 9mm semiautomatic Ruger was traced to the store by the federal Bureau of Alcohol, Firearms and Tobacco. (AP, Reuters)

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Washington And Seoul To Delay on Sanctions

SEOUL — The United States and South Korea will not push for immediate sanctions against North Korea at the United Nations...

Although North Korea's recent response to calls for inspection of its suspect nuclear plants is insufficient, a South Korean spokesman said, the reaction requires "basic consideration regarding the future of the Korean peninsula."

President Bill Clinton and President Kim Young Sam of South Korea, the spokesman said, will consider elements of the North Korean offer and not reject it entirely.

Mr. Clinton told Mr. Kim by phone Tuesday that the United States would not back off from its insistence that the North agree to full inspections of its nuclear facilities, the White House said.

The statement amounted to a rejection of North Korea's offer to allow some access to its installations while keeping its two most sensitive sites closed.

"The Northern offer contains some elements that deserve a positive reaction from Seoul and Washington though it is unsatisfactory and not acceptable as a whole," a ministry official said.

"Our goal is to resolve the nuclear issue peacefully through dialogue and negotiation," he said.

The UN secretary-general, Boutros Boutros Ghali, will visit North Korea this month, a spokesman said Wednesday in New York.

South Korea fears that harsher international action could prompt the unpredictable leadership of the Communist North to start a war.

North Korea on Friday reportedly offered to open five relatively minor sites but not its two most sensitive ones, at Yongbyon. They are a reprocessing plant, which Western intelligence says could be used to separate plutonium for a nuclear bomb.

In return for its limited offer, North Korea wants U.S. diplomatic recognition and economic and political benefits.

As Planes Fill China's Skies, Safety Gets Bumped

By Lena H. Sun Washington Post Service

BEIJING — After three crashes and eight hijackings, the Year of Safety for Chinese airlines has turned into a Year of Calamity.

Last year was the worst in Chinese aviation history, with five crashes that killed more than 380 people, one-fifth of the world's passenger fatalities for the year.

In November 1992, a Southern China Airlines Boeing 737 slammed into a mountain near Guilin, a major tourist stop in southern China. All 141 people aboard were killed. A year later, the Chinese government still has not officially announced the cause of that crash, the deadliest in Chinese aviation history.

So far in 1993—which was to have been the Year of Safety in Chinese civil aviation—three crashes have killed 73 people. In two of the crashes, bad weather has been cited as a factor. But in the third, which killed 59 people, initial Chinese news reports blamed pilot error and a runway that was too short.

Ji Jiushen, head of the safety division of the civil aviation agency, now says the crash was caused by faulty wing flaps on the plane, a British Aerospace Whistlerjet.

With the world's fastest-growing aviation market and lax regulation, China's airlines are struggling to maintain safety standards.

"Growth has been too fast," said Mr. Ji.

"This has created a strain on our basic facilities and training of personnel."

"The aviation sector, which is undergoing rapid expansion, has failed to carry through rules on air safety and security," said Yan Zhiqiang, deputy director of the Civil Aviation Administration of China, after a nationwide tour this fall to study safety issues.

The safety problems come at a time when international travel to China and within the country is surging. While airlines in Europe and the United States are in a slump, China's passenger traffic grew 33 percent last year and 24 percent in the first half of this year over the same period in 1992.

The growth has been spurred by decentralization of the airline monopoly and by a booming economy that has raked in foreign investment, revived tourism and fueled desire by China's increasingly affluent population of nearly 1.2 billion to fly instead of take the train.

China is now scrambling to meet demand. It is trying to form new airlines, build airports, buy jets, train pilots and flight attendants, upgrade air-traffic control and improve decades of poor service—all at the same time.

"China is trying to develop its air industry very quickly to match its booming economy, and when you do things quickly, you tend to make mistakes," Stuart Matthews, chairman of the U.S.-based Flight

Safety Foundation, said during a recent meeting in Kuala Lumpur.

China issued new regulations this summer to improve safety and double the traffic its overcrowded airports can handle. China has also sought help on crash investigations from the U.S. National Transportation Safety Board. The U.S. Federal Aviation Administration plans to post a senior representative in Beijing by the end of the year.

Meanwhile, the formerly monolithic Civil Aviation Administration of China has spun off its airline operations into seven semi-autonomous companies. Local governments, private companies and even peasants have bought or rented planes to open new routes. There are now at least 35 airline companies, but in July, the aviation agency stopped authorizing new airline companies.

In 1984, the country had 15 commercial aircraft, mostly unimproved Soviet-built models. Now, China has about 400 aircraft, according to a recent report in the official China Youth Daily.

Conditions make clear that there is a long way to go. Ground facilities lag behind the increased traffic. There are insufficient airports, many with damaged runways. Telecommunications, radar and other navigational facilities are outdated.

"This makes safe flight almost impossible regardless of how advanced the planes are," the Southern Weekend newspaper

reported in April in an exposé of aviation problems.

China also faces big shortages of skilled, experienced staff in nearly every field, from customs and air traffic control officers to pilots, flight attendants and engineers.

The former manager of a Western airline that flies to China said: "They're very lax about the amount of hand baggage you have, they're very lax about where you put your bags, and they'll take off before people are all seated."

On a flight from Xian to Shanghai, a European businessman noticed something different about his lunch. "It really looked like something was missing," he recalled. When he walked by the flight attendants' work station later, the curtain was slightly open.

"I saw the plates with all the meat piled up, and the flight attendants were sitting there eating it," he said. "They had opened each and every box and taken off the meat."

8th Hijacking to Taiwan

A Chinese businessman armed with a surgeon's knife hijacked a Chinese airliner to Taiwan on Wednesday, the police said. It was the eighth hijacking from China to Taiwan this year.

The hijacker surrendered and was arrested, and the MD-82 airliner, which landed safely with 129 passengers and eight crew members, was allowed to leave three hours later.

Don't Act Alone, China Tells Britain

HONG KONG — China offered a carrot and a stick to Britain on Wednesday in the dispute over Hong Kong's political future.

The Chinese conditionally offered to resume their dialogue with Britain over a set of reforms proposed by Governor Chris Patten and issued a blunt warning that talks were dead if Hong Kong went ahead with even the most modest reforms without Beijing's approval.

In London, the former chief British negotiator for the colony, Sir Percy Cradock, urged his country to back down, saying it would be foolhardy to act.

"Unilateral action and confrontation with China would be more damaging to Hong Kong in its special circumstances than a negotiated settlement," he told Parliament's Foreign Affairs Committee.

Sir Percy negotiated the 1984 Sino-British Joint Declaration on the handover of Hong Kong to China in 1997. In the present dispute, China claims that Britain, with its late-coming democratic reform proposals, is violating the 1984 agreement.

Sir Percy said China was serious in its threat to dismantle Hong Kong's legislature in 1997 if Mr. Patten pushes through his plan to let the colony elect the majority of its Legislative Council, the colonial parliament, for the first time in 1995.

As a result, he said, Britain risks undermining democracy, the rule of law and the attributes of a liberal society if it insists on regarding democracy as the only virtue worth pursuing.

"If the effect of instituting an extension of democracy in the face of violent Chinese opposition is only to provoke a vicious backlash and damage the longer-term prospects for democracy, as well as endangering other freedoms and stability itself, then the virtue ceases to be one and becomes a serious defect," Sir Percy said.

Mr. Patten said last Thursday that he would submit unilateral reform proposals after a 17th round of talks with Beijing ended in deadlock. China said his move had killed off any chance of a negotiated settlement.

In Hong Kong on Wednesday, Chinese sources said Beijing would resume talks about the colony's democratic future and permit a concession if Mr. Patten postponed introducing his partial reform bill to the colony's legislature.

prove one of the British reform proposals should Mr. Patten slow down his push for constitutional reform and permit the talks to reopen.

"The Chinese side would agree on a British proposal to apply the 'single seat, single vote' concept to the 1995 legislative polls in Hong Kong if Patten slows down and the talks are reopened," he added.

But, one senior source said, "If Patten presents it to the Legislative Council, there will be nothing left to talk about."

"I think the best way is for legislators to request a postponement, the source said. "If the majority of legislative councilors ask for it, Patten should be compelled to comply."

Later Wednesday, China's official Xinhua News Agency said, "Once the British side submits the 'Political Reform Program' to the Legislative Council, either completely or partially, it would mean the British side has unilaterally closed the door of negotiations."

Xinhua said the Patten plan was a ploy to extend British influence in Hong Kong.

Japan Will Shift Maneuvers, Citing Korea Instability

TOKYO — Japan has decided to shift the focus of army exercises away from northern Japan because of instability on the Korean Peninsula and the breakup of the former Soviet Union, it was reported Wednesday.

Starting in 1996, Japan's Defense Agency plans to transfer troops stationed in Hokkaido, Japan's northern island, to Honshu on the main island and the southern island of Kyushu for military exercises, the newspaper Yomiuri Shimbun reported, citing agency officials.

The newspaper quoted agency officials as saying that the revisions were meant to respond to eased tensions following the demise of the Soviet Union and volatile developments on the Korean Peninsula that could affect national security.

The Hokkaido military exercises constitute one of the army's largest maneuvers, the newspaper said. A Defense Agency spokesman declined to confirm the report.



TASTE OF FREEDOM — Charles Walton, an American linguist who was held captive by Muslim extremists for 24 days in the southern Philippines, arriving Wednesday in Manila. Mr. Walton, 60, was kept in a 4-by-8-foot hut but said he was treated "acceptably well" by his captors.

Australian's 'Regret' Is Enough for Mahathir

Compiled by Our Staff From Dispatches

LANGKAWI, Malaysia — Prime Minister Mahathir bin Mohamad of Malaysia said Wednesday that he could accept Paul Keating's statement of regret for calling him a "recalcitrant" — a signal he may be ready to defuse a quarrel with Australia.

But the Malaysian leader said he was not sure his cabinet would agree to end the diplomatic crisis when it meets Saturday without an outright apology from Mr. Keating, the Australian prime minister.

"It's people's feelings, I have no control over them," Mr. Mahathir said, referring to his ministers, some of whom have called for strong retaliatory measures against Australia.

Nevertheless, political analysts said the cabinet always took its cue from Mr. Mahathir, who has led Malaysia for 12 years. He said, "If he has expressed his regret, we are happy." Mr. Mahathir said

at an aerospace exhibition on this northwestern resort island just south of Thailand.

"Why split hairs?" he added, when asked if Mr. Keating's regret was sufficient for the apology Malaysia has demanded over the curious war over a word.

Mr. Keating had called Mr. Mahathir a "recalcitrant" for boycotting a conference of Pacific leaders in Seattle last month at which President Bill Clinton was the host.

In a speech Wednesday, Mr. Keating said that his remark about Mr. Mahathir was not intended to cause offense.

The Australian foreign minister, Gareth Evans, warned Malaysia on Wednesday that it risked negative consequences if it escalated the diplomatic dispute.

"No reasonable further step can be asked of the prime minister," he said. "No statement can be asked that goes further than the expression of regret." (Reuters, AFP)

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OPINION

Herald Tribune

PUBLISHED WITH THE NEW YORK TIMES AND THE WASHINGTON POST

The Challenge of Growth

While the rising strength of the U.S. economy was particularly helpful to those who found jobs last month, it was also deeply welcome at the White House. Within the Democratic Party, the long dispute over basic strategy has now been settled by the unemployment figures, especially the unusual drop in the November rate announced on Friday.

of the country's progress in adjusting to the cuts in military spending. North America is now the fortunate exception in the industrial world. Unemployment is rising ominously in Japan and Europe. But it fell last month in Canada (to 11 percent) and in the United States. One major reason for America's relatively slow growth is the recession that continues to grip the richest of the markets into which American companies export.

— THE WASHINGTON POST.

Escobar Was Only One

Pablo Escobar Gaviria is dead, gunned down by Colombian security forces as he fled a hideout in Medellín, his hometown and the base of his former international drug empire. The fugitive who once controlled by violence most of the hemisphere's cocaine traffic has himself died violently.

whereabouts and punish his allies. The law was always several steps behind him, as it has routinely been with the drug trade generally. Still, the pursuit of Mr. Escobar was a worthy undertaking for a nation that has struggled, and often failed, to muster the will to stand up to its drug emperors. Colombia's credibility suffered deeply when officials appeared Mr. Escobar even as they briefly held him prisoner—showing him with comforts, guards of his own choosing, and even the equipment to carry on his criminal trade.

— THE NEW YORK TIMES.

National Biological Survey

The House of Representatives has passed legislation authorizing an inventory of all plant and animal species across the United States. In advance of the authorization, Congress has approved use of Interior Department funds to start work on the project this year. The National Biological Survey is envisioned by Interior Secretary Bruce Babbitt and other advocates as an early-warning system that could produce more rational enforcement of the Endangered Species Act.

Never mind that the animal is said to be an indicator species, itself an early warning that an entire ecosystem is endangered. The owl is still putting people out of work; that is the cartoon. It is also the rap that Mr. Babbitt would seek to avoid by broadening the debate and having it earlier when the affected industry and the government both have greater room for maneuver.

— THE WASHINGTON POST.

Other Comment

GATT: The Havoc of Failure

If the Uruguay Round fails, all the ingredients for a rapid deterioration in world trade will be in place. No longer united by the need to contain communism, the big economic powers would feel free each to act on a narrow view of its own interests—even if that meant falling out with its former allies. There can be little doubt about the far-reaching effects that a trade war might eventually have.

clearly highlighted the continuing trend toward polarization in Italian politics. For the sake of Italy, it is to be hoped that the representatives of the old political establishment will now step aside and not obstruct the emergence of a new political center. Otherwise, reason may not triumph in next year's parliamentary elections.

— New Zürcher Zeitung (Zurich).

Revamping the USIA

A combination of the Cold War's end and President Bill Clinton's attempts to cut the budget deficit have accelerated the pace at which the United States is altering its policy voice. The U.S. Information Agency, which in other countries might be described as a propaganda machine, is in the early stages of revamping its mission and its mode of operations. The effort is entirely appropriate.

Revamping the USIA is a metaphor. The United States needs ears as well as a voice, and the USIA can play a helpful role in appraising global political and economic developments, offering forums for the exchange of ideas around a world that is in a state of flux. In this new world, information remains the essential ingredient in formulating international policy. A revamped USIA has significant responsibility in such a world.

— The Boston Globe.

Keep North America and Europe Engaged in Asia

By George Yeo

The writer is Singapore's minister for information and the arts, and second minister for foreign affairs.

KUALA LUMPUR — Whether or not there is a successful outcome to the Uruguay Round of negotiations by next Wednesday, world trade will never be completely free. It will remain a mixture of free and managed trade. Of course, failure of the Uruguay Round would be disastrous. It would slowly but surely divide the world into blocs.

learned from the lessons of history and will find ways to avoid major wars. After all, a major war in which nuclear weapons are exchanged would end civilization as we know it. But to assume that the swing of the pendulum back to Asia can be smooth is unrealistic and foolhardy. Such hope flies in the face of human experience.

Anti-Asian sentiment is on the rise in Europe and North America. Domestically, there is growing racism against Asian immigrants because they work harder and save more.

The East must be careful not to mismanage the growing insecurity of the West by adding fuel to the fire. In particular, we must never become anti-White ourselves.

An intricate theology is being constructed in the West to justify why it is no longer possible to compete with Asians under the old rules. It is claimed that Asians have lower social standards, that Asian workers are denied human rights and that prison labor is used. It is also asserted that economic growth in Asia is at the expense of the environment, and that the cohesiveness of many Asian societies is proof that they are authoritarian and do not practice genuine democracy.

The East Asia Economic Caucus idea was problematic because while many of us might have seen initial American opposition to it as being anti-Asian, many North Americans and Australians probably saw it as anti-white. The problem is not intellectual but emotional. If East and West retreat into racial positions, serious conflicts will be inevitable. It is far better for us if Americans and Europeans remain engaged in Asia and have a share in Asian growth and prosperity. Of course, we must expect them to exploit the natural divisions in Asia, and use Asians against Asians.

Thus an unwinding alliance of protectionists, socialists, human rights activists, environmentalists and liberal democrats is gathering in the West, all opposed to free trade. These are dangerous ideas against which leaders such as President Clinton and Chancellor Helmut Kohl of Germany are fighting. We must encourage Mr. Clinton in his support of the Asia-Pacific Economic Cooperation forum. We must also encourage him in his effort to build a constructive relationship between China and the United States. We in

Indeed, from an Asian perspective, such a rational response by the West to the rise of the East is much better than an emotional response. There is then scope for bargaining and negotiation.

This comment was adapted by the International Herald Tribune from an address delivered on Tuesday at the Pacific Rim Business Collaboration Symposium in Kuala Lumpur.

In a World of Blocs, East Asians Should Work Together

By Mahathir bin Mohamad

The writer is prime minister of Malaysia.

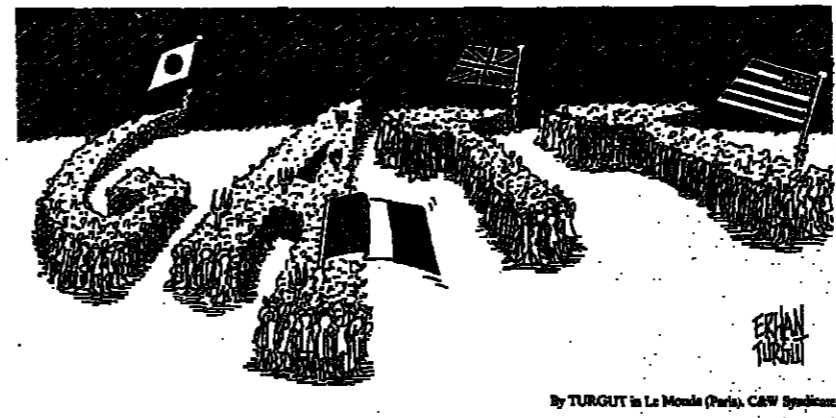
KUALA LUMPUR — East Asia has achieved remarkable economic growth. The future is full of uncertainties. Calamities are always possible even for those with brilliant records. Japan is the current example.

No one need fear an Asian grouping. Europeans and North Americans are much more homogeneous than Asians. Even in East Asia, we are not only ethnically different, we are also divided by culture, language and religion. It is quite impossible for Asians to think of themselves the way Europeans think of themselves as being of one race and one color.

Not so an Asian or East Asian forum or caucus, designed to discuss common economic problems and, to a limited extent, to help pull up those East Asian countries that are lagging behind. Such an approach can be motivated by enlightened self-interest.

If today Southeast Asia is one of Japan's valuable markets, it is because Japan invested in the region's countries and helped them to develop. The highly successful economies of East Asia will be helping themselves when they help the less developed nations in the region to grow and prosper. Forming an East Asian Economic Caucus is therefore a logical sequel to the economic interaction in the region since World War II. It will be good for governments, growth and business.

This comment was adapted from an address on Sunday at the opening of the Pacific Rim Business Collaboration Symposium.



By TURGUT in La Monda (Paris), GAW Symbols.

Central Europe: NATO Membership Won't Solve the Problem

By Jim Hoagland

WASHINGTON — Geography is history, especially for the nations of Central Europe. That is why they reach out from their dangerous location seeking a helping hand from across the Atlantic.

Went from Soviet occupation through the Cold War. But that obligation does not include basing long-term security policies on membership in NATO. They continue to press for membership even though they know that the Clinton administration will temper on their demand at the NATO summit in Brussels in January.

emerged from the shattered Soviet bloc. They will have to accomplish significant economic and political reform, but specific criteria for eventual membership are not listed.

Second comes NATO's own need to redefine itself around a shrinking American presence in Europe and a growing European role in NATO. The essential task is to find a way to give a united Germany a more substantial military role beyond its borders, in a NATO context, without encouraging a rebirth of German militarism.

Their quest is noble, their concern understandable. Living between the Germans and the Russians has taught the Central Europeans not to be overly optimistic about human nature. They know that the American nuclear umbrella that would come with NATO membership can break geography's stranglehold on their tragic history.

Henry Kissinger, at the pessimistic end of the spectrum of analysts that wait to take the Central Europeans into NATO will only make it harder to confront the Russians when they recover their imperialist imperative. Moscow cannot be allowed to continue to hold its neighbors in a Russian sphere of influence by vetoing their membership in a Western alliance.

First is what "membership" in NATO means. This is where the metaphorical quality of much of the debate clouds understanding. The essential definition of membership is contained in Article 5 of the North Atlantic Treaty, which commits all members to fight alongside the others in the event of an attack on any one of them.

Partnership in Peace adds up to letting the Central Europeans down easy for now. But their concerns, and their history, must not be overlooked as NATO re-creates itself for a changed world. The Central Europeans cannot be allowed simply to disappear back into their tragic geography. They do not need the quick symbolic fix of a NATO label. They and the Atlantic community need to work for a steady expansion of a solid base for security.

— The Washington Post.

Iran: Normal Relations Should Mean No More Murders Abroad

By Mansour Farhang

BENNINGTON, Vermont — President Bill Clinton's meeting with Salman Rushdie last month inspires me to tell of my own experience with Iranian terrorism.

convert to Islam who was an employee of the Iran interest section at the Algerian Embassy in Washington. He fled to Canada, then flew to Iran and has been living there ever since. He was indicted in America and a warrant was issued for his arrest.

Maintaining access to Iran's oil and consumer markets seems to supersede any other concern. In 1991, President François Mitterrand accepted an invitation to visit Iran even though by that time seven Iranian dissidents had been killed in France. It was only the undisputed connection of Mr. Bakhtiar's assassins to the government of Iran that outraged the public and forced the president to cancel his trip.

U.S. exports to Iran this year, in spite of a long-standing trade embargo. The recent warnings by President Bill Clinton and Secretary of State Warren Christopher that Iran would be held responsible for its sponsorship of terrorism are promising. At the moment, however, one can only hope that the administration will reject the cynical practices of its Republican predecessors and initiate a more principled policy toward the Islamic Republic.

So far, the regime has committed murder abroad with impunity. Capriolo, the Italian translator, was wounded in a stabbing in Milan the same month. Last month the book's Norwegian publisher, William Nygaard, was shot and wounded outside his home in Oslo. In France, Germany and Switzerland, court cases are pending against Iranian agents accused of killing other Iranians.

So far, the regime has committed murder abroad with impunity. The death threat against Mr. Rushdie is the most publicized example of how Iran treats dissent, but he has at least received a worldwide hearing for his plight. His Iranian counterparts have to suffer or die in anonymity.

Emerging internal disputes on economic priorities might some day lead to conflict or diversity on foreign and domestic policies, but such a development is not yet on the horizon. The CIA believes that President Hashemi Rafsanjani and the spiritual leader, Ayatollah Sayed Ali Khamenei, personally approve every target and plan of assassination abroad. This was the case when Ayatollah Khomeini was at the helm.

The writer, professor of politics at Bennington College, is on the advisory board of Middle East Watch. He contributed this comment to The New York Times.

IN OUR PAGES: 100, 75 AND 50 YEARS AGO

1893: Boiling the Bodies

CHICAGO — The police of Chicago are looking for a law against boiling human bodies, but can find none. Some time ago Chinese representatives made arrangements to deport bodies of their countrymen that had been buried in Graceland Cemetery. In preparing them for shipment the bodies must be boiled, and this process is objected to by residents nearby because a stinky built on a vacant lot. Forty-six bodies remain to be prepared. Officers are watching the stinky and the authorities propose to stop the practice, law or no law.

1918: Prisoners Killed

PARIS — A Havas note states that the Germans have added a particularly odious crime to the already long list of their atrocities. Without the slightest reason or excuse nine French prisoners have been killed and 15 seriously wounded by their guards at the camp of Langensalz. The prisoners were chatting in a group about the probability of their early liberation, when, in obedience to an order given by a German officer, apparently in a paroxysm of sanguinary fury over the defeat of Germany, a prison guard opened fire on them.

1943: Lightning Reply

PEARL HARBOR — [From our New York edition:] American carrier planes, sweeping into the heavily defended Japanese-manned Marshall Islands, have sunk six Japanese ships, including two light cruisers; damaged four other vessels and destroyed more than seventy-two enemy planes, the Pacific Fleet commander announced today [Dec. 9]. The United States forces suffered only minor damage to one ship and light aircraft losses in the attack. Torpedo bombers and dive bombers blasted the four bases in less than ten minutes, sinking or damaging a ship a minute, while strong naval forces fought off furious Japanese retaliation.

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OPINION

Real Reform for Italy, or Else Real Extremism

By William Pfaff

PARIS — The successes of ex-Communists and neofascists in Italy's local elections last weekend does not mean what they might seem to mean. Italy's Communists are no longer Communist, and its fascists are both less and more than fascist.

country after the next parliamentary elections, presumably in the spring. Its leader, Achille Occhetto, says that the Democratic Party of the Left is ready to govern the country "as part of a large democratic alliance" of the country's new reform forces.

force in the North. He wants to change the party name and recruit centrist allies to claim a leading place in a national regrouping of moderate-to-conservative forces.

This Gentle Reader Is Not Amused

By Lena H. Sun

BEIJING — People who know me wouldn't exactly call me tall. Or willowy. Or prone to getting my sources drunk, since I can barely hold my own when it comes to liquor.

me in May for an article on women foreign correspondents. The final product bore no resemblance to what I said. Among other things, it described me as having had tears in my eyes when I said that I would like to interview Deng Xiaoping, the senior leader.

MEANWHILE

cue from the supermarket tabloids of the West. Reporters are finding that sex, crime and scandal sell. And so, even though I am eight months pregnant, I was described as the Mata Hari of foreign journalism.

Since a decree last year that newspapers and magazines would gradually lose all subsidies, editors have been scrambling to print stories that ordinary Chinese actually want to read.

When I asked the reporter what had happened, she acknowledged that she had had to make up "a little extra material" to cast me in a positive light. There was no way she could publish what I really said, she told me.

One reason, as her editor later pointed out, was that I had been accused by the government a year before of obtaining state secrets. This spring, two Chinese friends of mine were sentenced to 10- and six-year jail terms for allegedly providing me with state secrets.

The part about me is entitled: "Confronted by more than 10 documents, the beautiful female reporter fell silent." It describes me this way: "Her tall and slender body looks graceful. Although she is over 30, at a glance, she is still as charming as a young maiden in her twenties."

The article then describes a dinner that I reportedly had with a Chinese official on May 16, 1991 — an account that speaks for itself.

They came to a classy small snack bar. Lena Sun repeatedly asked Director Zhang to drink. Director Zhang, who has no capacity for alcohol, soon got red in the face and became more talkative. With wine boosting his courage, he said: "Great reporter, when you do reporting in Beijing, if you need anything, just come to me."

The next day, the story continues, Lena Sun appears, smiling, at Director Zhang's office. This time Director Zhang says nothing, but just opens the filing cabinet...

Two days later, on May 18, accord-

ing to the magazine, a front-page story appeared in The Washington Post about "structural reform that a certain Chinese commission is about to implement." The magazine claims that this information was from a secret document, and that its publication caused "great disadvantages to our work."

I called the magazine to ask about this article. It took two days of long-distance telephone calls to Changsha, the capital of Hunan Province. I was passed from person to person. Every one professed ignorance. The editor in charge of the article was out of town. Each person who answered the telephone in the editor's office demanded to know what work unit I was from and why I was calling.

"I was the person in charge of this article," snapped a woman named Huang. "If you have any problems, you can write a letter to the editor," she said. Then she hung up.

I sent a letter in early November demanding a retraction and a public apology. After many more calls to the magazine, I received a one-paragraph fax at my Beijing office in late November from a man named Suo Kai, who claimed to be the author of the piece.

This is my first attempt at writing a reportage. I believe that writing reportage is different from normal news-reporting, and appropriate creation is allowed on the basis of real people and real events. Therefore, some events in this reportage of mine are fabricated. If this has resulted in any harmful effects, I hereby apologize.

It is not clear whether this person exists, or whether this was made up by the magazine. The editors refuse to say whether they will print a retraction and apology.

Officials at the Foreign Ministry's Information Department, which is in charge of foreign correspondents, appeared surprised when shown the article. "This does not represent the government's point of view," said Luo Chaohong, a first secretary.

"I've never even heard of this magazine," said Meng Xiangbin, another official. "This is what happens when you have freedom of the press. We can't control all these publications."

The writer is the Beijing bureau chief of The Washington Post.

LETTERS TO THE EDITOR

Blaming the Victims

Many Muslim women in the former Yugoslavia live in fear of being called upon to testify at the United Nations war crimes trials in The Hague. These women have not admitted to being raped, not even to their mothers, much less to their fathers, husbands or brothers. For, if publicly exposed as rape victims, they risk being cast out by their own people. In their culture, as in some others, a woman who has been raped is considered to have brought shame upon her family.

Do not Muslim men realize that this very code of "honor" invites and perpetuates abuse? These men become accomplices in the attacks upon their loved ones. Thus they are, if unwittingly, aiding and abetting the enemy.

How can being victimized be confused with being shamed? Shame comes not from what is done to us, but from what we do, how we behave. Being raped is obviously not something a woman does. She had no choice, no power.

The one whom rape really shames is the rapist. No matter that he may claim to have acted under duress, he is exposed as weak, primitive, a creature for whom normal men and women feel only revulsion and contempt. His crime also shames his parents — how must it feel to have raised a rapist? — and his people. What horror to discover their collective brutality. So let raped women and their loved

ones be hailed as the heroines and heroes of their people, honored as highly as the men who fall in battle, as martyrs. Then, justice for the rapists would not spell doom for their victims.

S. L. SCHWARTZ, Oslo.

The UN and Somalia

The United Nations Operation in Somalia, or Unosom, is now the de facto central government of that country, whether or not it admits to this, and conducts itself accordingly. After the country disintegrated into enclaves controlled by militias, the UN became the only body actively present in the region and with the necessary financial, military and logistical resources to get fragmented Somalia back together: united, reconciled and ready to pick up the pieces.

Despite its human and organizational defects and shortcomings — poor coordination, loss of momentum for peacekeeping, unnecessary concentration in Mogadishu (usually at the expense of the other regions and programs) and lack of decisiveness and resolve in dealing with rogue warlords — Unosom is still the best thing that could happen to Somalia.

Thanks to the UN presence, there is no longer large-scale starvation or significant clan fighting anywhere in Somalia today; there is relative peace, stability, rehabilitation and reconciliation in all the regions outside Mogadi-

shu. Elections for district and regional councils are taking place in many parts of the country.

Unosom should systematically consult and involve the appropriate Somali intelligentsia (those experienced, credible personalities with high integrity and clean records) at the national level, so as to assist in the search for adequate "Somali solutions for Somali problems."

VICKIE WOOD, London.

Everybody's Business

Regarding "The Artist's Private Trials Are None of Our Business" (Opinion, Nov. 17) by Jonathan Yardley:

I write you as one of the producers of "Tom and Viv," the motion picture savaged by Mr. Yardley. Here is a journalist criticizing a film he has never seen based on a script he has never read, on grounds it allegedly attacks or intrudes into the life of a famous poet.

"Tom and Viv" is based on the play of the same title by Michael Hastings, who also co-wrote our screenplay. Michael did lengthy research, and our film is based on facts that emerged from extensive interviews he conducted with Vivienne Haigh-Wood's brother, Maurice, and many others. He also scrupulously researched the writings of Vivienne Haigh-Wood, T. S. Eliot and other members of their families.

The film is in no way an attack on the artistry or personal reputation of T. S. Eliot. Instead, we seek to convey an understanding of the degree to which Mr. Eliot's personal life affected his poetry. By understanding the peaks and troughs of his relationship with Vivienne, we gain insights into the nature of the genius who gave us "Four Quartets" and "The Wasteland."

PETER SAMUELSON, Los Angeles.

Mr. Yardley condemns the director Brian Gilbert's film, based on the early 1980s play, "Tom and Viv," about T. S. Eliot's first marriage. He has not seen the film and seems ignorant of the play. His own elitist logic seems to be that "it's O.K. for me and my insider friends to know what went on, but heaven forbid that the masses should have a glimpse."

None of our business? What of William Shakespeare's shoddily researched and sensationalistic treatment of great men in his historical plays? On what evidence did he drag Richard III's name through the mud? Was it not to make a few guineas and provide cheap thrills to riffraff at the Globe Theater?

And what does Mr. Yardley think of a Hollywood opportunist like Laurence Olivier turning this tasteless material into a melodramatic and violent film?

J. J. EVANS, Varages, France.

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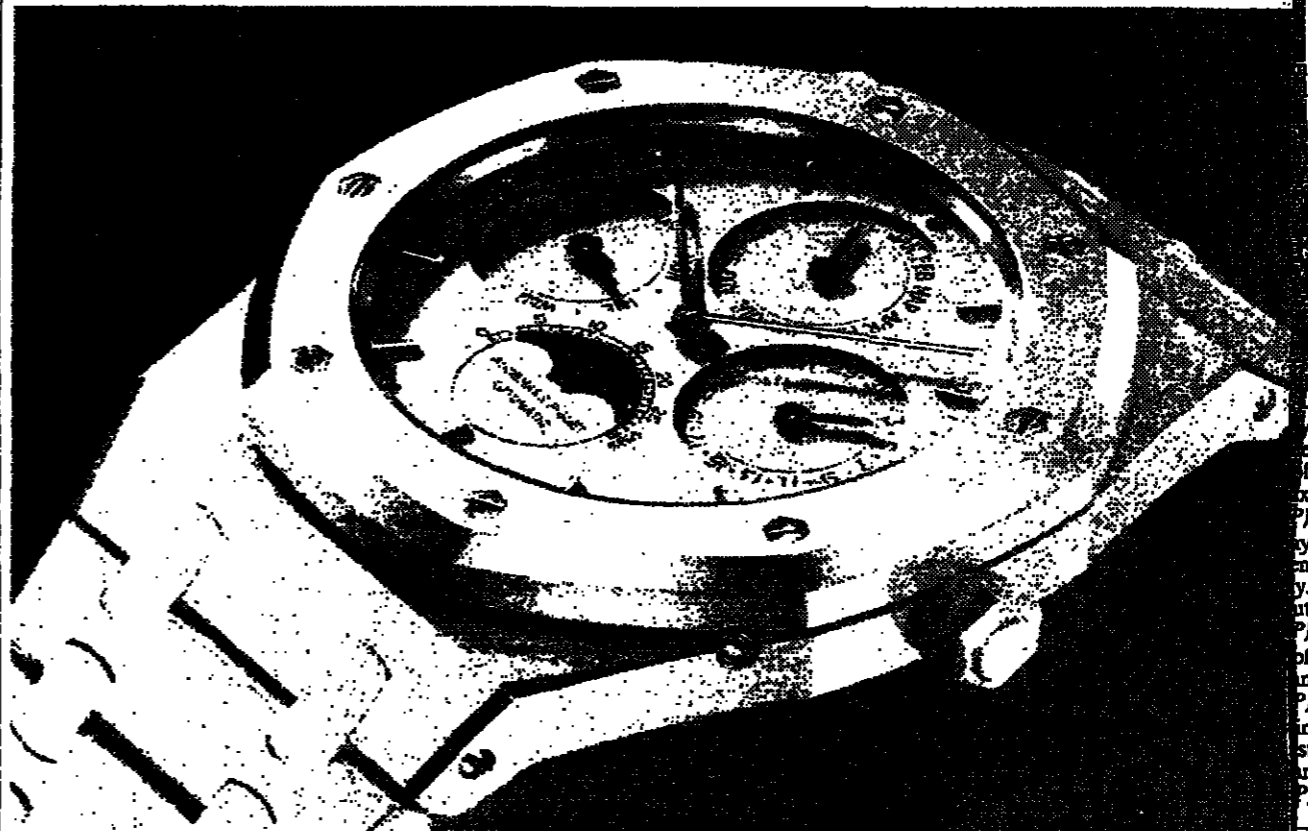
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Handwritten Arabic text: 2012/12/09

HEALTH / SCIENCE

Before Pistols, How Did They Start Races?

By John Noble Wilford  
New York Times Service

NEW YORK — At the Panhellenic Games of ancient Greece — as early as the fourth century B.C. — the runners would crouch and lean forward at the ready, their naked bodies glistening with oil. They were restrained against a premature start by two cords stretched tight across the starting line. One cord held them at their waist and another at the knees.

At the cry of "Apite!" for "Take off!," the cords fell forward and the runners broke, sprinting down the track to the cheers of spectators in the stadium. This was the way the highly competitive foot races of Greece began at least as early as 340 B.C., long before there were starting pistols.

Archaeologists have learned of this new facet of the ancient Greek passion for athletics from drawings on a vase found in Athens and excavations at Nemea, a site southwest of Corinth where some of the games were held every summer. Dr. Stephen G. Miller, a classics professor at the University of California at Berkeley, described the findings this month in a lecture at the campus and in an interview.

The discovery of this innovative starting mechanism, Dr. Miller said, "shows very emphatically the frame of mind of Greeks of that period, the evolution of sport and the society that produces it."

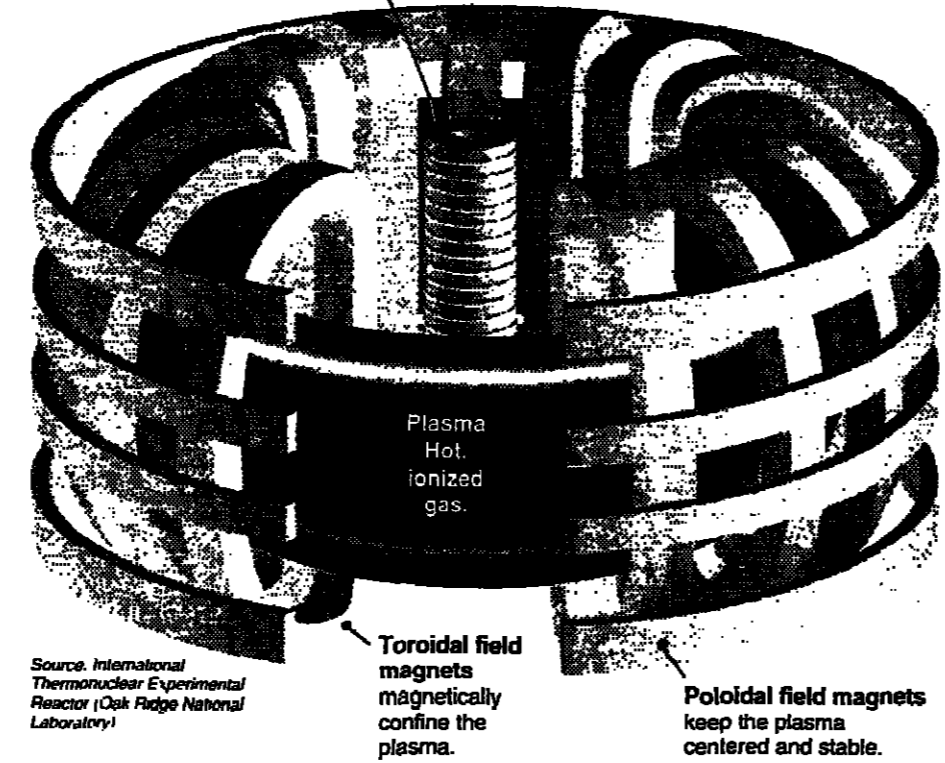
A certain professionalism had come to athletics. The status and livelihood of the athletes depended on winning, and the Greeks, he said, were "doing everything they could to assure the fairness and objectivity of the races."

THE importance of sport in Greek society had already been revealed in previous excavations at Nemea. Beginning in 1974, Dr. Miller and a team of archaeologists uncovered remains of the large stadium and went on to discover the track, a temple to Zeus, an outdoor altar, a sacred grove of cypress trees, temporary quarters for athletes and a bath house.

A site of Greek games, the archaeologists concluded from this and written sources, was like a festival grounds and the events were accompanied by religious rites. Attendance at the games required an animal sacrifice to Zeus.

Further excavations revealed a graffiti-decorated tunnel through which the athletes entered the stadium and, more recently, what Dr. Miller concluded was the oldest remaining athletic locker room. This was evidence, he said, of the increasing segregation of athletes from the fans and the rest of society.

Central solenoid magnets induce an electric current in the plasma. Tokamak



Source: International Thermonuclear Experimental Reactor (Oak Ridge National Laboratory)

For Fusion, the Big Test

By Malcolm W. Browne  
New York Times Service

PLAINSBORO, New Jersey — The promise of cheap, clean fusion energy is about to undergo an acid test as tritium fuel flows for the first time into America's most advanced fusion test reactor.

A landmark series of experiments, scheduled to begin before Christmas and end next September, when the Plainsboro test reactor will be dismantled, could be either a giant step toward the dream of unlimited fusion energy or a blow that hobbles progress indefinitely.

The physicists supervising the experiment hope that they have correctly predicted what will happen and that the theorists' problems have been overcome. "But this is a time of great anxiety for all of us," said Dr. Ronald C. Davidson, director of the Princeton University Plasma Physics Laboratory.

A successful run during the next few months could encourage significant financing for future fusion research, but major snags could obstruct financial support and thwart American participation in an ambitious international fusion program.

A hydrogen fusion reaction of the type scientists are hoping to create at the Princeton reactor yields immense amounts of energy and produces negligible amounts of radioactive waste; unlike a conventional nuclear fission reactor, a fusion reactor could not melt down or release dangerous fission products, nor would it produce highly radioactive spent fuel.

Over the last decade, supported by \$1.4 billion in federal funds, the Princeton laboratory has run many thousands of physics experiments with its big Tokamak Fusion Test Reactor, but all were dry runs, using a heavy isotope of hydrogen called deuterium as the test fuel.

To initiate a high-power reaction, a tokamak reactor needs tritium, a still heavier hydrogen isotope. (Tokamak is a Russian acronym for "toroidal magnetic chamber.") Trials with tritium were delayed until this essential testing phase was completed because once tritium enters the reactor the machine becomes radioactive and cannot be used again for deuterium experiments. Last month the moment of truth arrived as full-strength, tritium-laced reactor fuel began to replace the deuterium surrogate.

TRITIUM, a radioactive form of hydrogen commonly used in minute quantities in luminous watch dials and exit signs, is essential to the high-power fusion reaction the scientists hope to achieve.

After the tokamak has completed its tritium runs, it will be left to cool down for at least a year to allow its radioactivity to subside to levels safe enough for workers to dismantle it.

If all goes as planned, the five grams, or about one-sixth of an ounce, of tritium fuel now being trickled into the reactor will produce a reaction temperature six times that of the sun's core, which is about 27 million degrees, and will yield power of about 10 million watts.

Although this will be somewhat less than half the power the machine consumes to produce it, the yield will be the best that any experimental fusion reactor has yet achieved, and it will provide vital information needed for the design and construction of future reactors.

In a fusion reaction, the nuclei of hydrogen atoms, including ordinary hydrogen as well as its deuterium or tritium isotopes, are forced to merge. The single proton in each hydrogen nucleus joins with the proton of another hydrogen nucleus to produce an element with two protons in its nucleus — helium.

China and Global Warming

By Philip M. Boffey  
New York Times Service

NEW YORK — If global warming materializes as the threat many scientists predict, the world's ability to head it off may well be determined by China.

The United States is currently the world's leading emitter of carbon dioxide, the chief man-made contributor to global warming. But rapid economic growth and heavy reliance on dirty fuel may soon propel China toward that unenviable distinction.

China's pell-mell industrialization is powered largely by huge reserves of coal, the dirtiest of fuels in carbon emissions. Three-quarters of China's energy needs, from factories to home heating, are now met by burning coal.

Noxious fumes sting the eyes of city dwellers, haze obscures the views, and acid rain falls as far as Japan in one direction and southwest China in another. More worry for the rest of the world, China's smokestacks spew tons of carbon into the atmosphere, increasing the buildup of heat-trapping gases.

China already ranks third in carbon dioxide emissions, behind the United States and the former Soviet Union, and when Soviet emissions are split among the newly independent republics, China may well be second.

One U.S. projection even suggests that China could pass the United States in carbon emissions by the year 2025, though China's own projections suggest the United States will still lead the pack. The outlook would be even worse had China not done an exemplary job of controlling its energy appetite despite furious economic expansion.

The Chinese have made astonishing gains in industrial efficiency over the past decade, thereby holding energy growth to half the rate of economic growth. But most analysts think the easy part has been accomplished and that further gains will be much harder.

China's officials, though not fully convinced of the global warming threat, recognize the need to head it off. Qu Geping, the government's top environmental official, said in an interview that even before global warming is fully proved all countries should take steps to control carbon dioxide emissions.

In a wide-ranging effort to boost its economy and clean its environment, China is already taking steps that will have a beneficial side effect of reducing carbon emissions. Such programs include a big hydroelectric project in the Three Gorges area of the Yangtze River that will produce power without emitting carbon dioxide; a tree-planting program that has increased forest coverage for the first time in years; the building of large generating plants for greater efficiency, and experiments with cleaner approaches to home heating.

Zha Keming, vice minister of electric power, believes that nuclear power, which emits no carbon dioxide, could become the chief energy source 50 years from now.

Global warming, if it occurs, could harm China itself, an added reason for curbing emissions. But China's leaders do not appear to give the threat high priority. They point out correctly that industrialized nations emit far more carbon dioxide per capita than China and have done so for a very long time. Those nations, they imply, should bear the brunt of cleaning up the mess.

And when Chinese officials are asked what environmental problems are most acute, they invariably cite urban air pollution, population growth, clean water or soil erosion. No one cites the distant prospect of global warming.

There is no doubt that the nations of the world will need to enlist China if they ever unite to head off global warming. That could pose some very hard questions for the West, such as whether to subsidize China's conversion to cleaner fuels and more efficient factories, or whether to allow Western companies to meet emissions goals through investments in China. But without forced action, whatever progress is made elsewhere in curbing carbon emissions could be undercut by an enormous increase in emissions from China.

Beijing leaders do not appear to give the threat high priority.

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One U.S. projection even suggests that China could pass the United States in carbon emissions by the year 2025, though China's own projections suggest the United States will still lead the pack.

The subject was explored in a symposium this week at the semi-annual meeting of the American Geophysical Union in San Francisco.

THIRTEENTH EDITION FULLY UPDATED  
**FRENCH COMPANY HANDBOOK 1993**  
Profiles of leading French Companies  
The 1993 completely revised and updated edition contains 132 pages of information in English on a selection of 50 of the most important French companies, as well as basic facts on other major firms. Includes information on the French economy and major sectors of activity, an introduction to the Paris Bourse, and a bilingual dictionary of French financial terms.

Table listing various French companies and their details, including AGF, Alcatel, BNP, Canal+, etc.

Order form for the French Company Handbook 1993, including fields for name, address, company, and payment information.

BOOKS

RETURN TO PARADISE  
By Breyten Breytenbach. 234 pages. \$22.95. Harcourt Brace.

Reviewed by Lynn Freed  
THIS wonderful book, the third in Breyten Breytenbach's trilogy of exile, incarceration and return, centers on a three-month visit he made to South Africa in 1991.

After more than half a lifetime spent in exile — with the exception of a few visits home, and seven years in a South African prison for "terrorism" — Breytenbach opens "Return to Paradise" with the statement of statements for South African exiles and expatriates: "There is such a thing as an incurable nostalgia."

On the diagrammed deal Moss held the South cards and opened one no-trump. This purported to show 15-17 high card points, but he judged that his long, strong diamonds were the equivalent of a point. His partner raised to game, and when the heart king was led he could count eight tricks. He needed a ninth in either spades or diamonds.

The heart ace was held up until the third round, and there was a crucial clue available. At the third trick West led the heart jack, a suit preference signal suggesting a spade entry. That was of great interest to South, who could now judge that the spade finesse was due to fail. He therefore decided to hope that East held the diamond ace. After running six club tricks he led dummy's singleton diamond and was rewarded. He could not be prevented from scoring the diamond king and the spade ace for a total of nine tricks.

Each time the camera looked his way he was on his feet with clenched fist held high and a pious tear in the combative eye...

WHAT THEY'RE READING

● Anne Lecharlier, deputy director of the American Chamber of Commerce in France is reading "The Fall of Paris: The Siege and the Commune 1870-71," by Alistair Horne.

During the siege, people ate cats, dogs, rats and even the animals at the zoo to survive. After the armistice, the National Guard refused to turn in their weapons, set up the Commune and took over Paris.

There are flashbacks to anti-apartheid meetings in other African countries, many of them engineered by Breytenbach himself, hilarious vignettes, diatribes against places, against people. White liberals, his friends included, "starry-eyed recent converts," white fascists, the ANC, "the new hegemony," blacks, browns, academics of course, other writers — all come under Breytenbach's passionate, furious, ironic eye.

Why did I come back? he asks. "Nostalgia, unfinished business, loose ends, to complete the incomplete, for annihilation, deathwish. Why will I not return to stay? Too late now. Foreigners here. Painted monkey. Bitter dream. No roots. Attachment too painful: Deathwish."

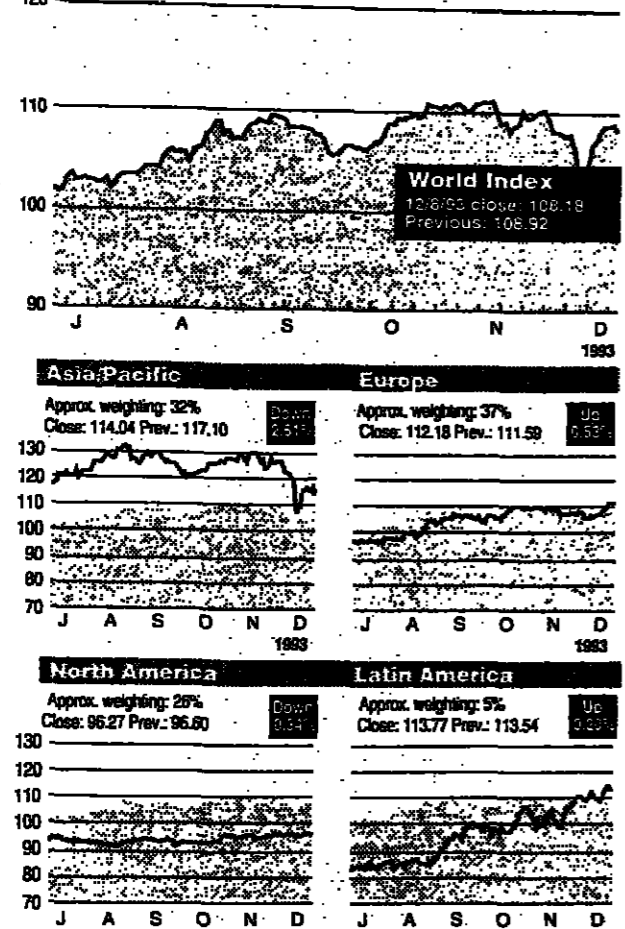
Lynn Freed, whose most recent novel is "The Bungalow," wrote this for "The Washington Post."

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THE TRIB INDEX: 108.18

International Herald Tribune World Stock Index, composed of 280 internationally investable stocks from 25 countries, compiled by Bloomberg Business News, Jan. 1, 1992 = 100.



The index tracks U.S. dollar values of stocks in Tokyo, New York, London, and other major financial centers.

Table with 3 columns: Sector, Value, % Change. Rows include Energy, Utilities, Finance, Services, Capital Goods, Raw Materials, Consumer Goods, Miscellaneous.

For more information about the index, a booklet is available free of charge. Write to Trib Index, 181 Avenue Charles de Gaulle, 92521 Neuilly Cedex, France.

AEG Sets Job Cuts, Asset Sale

In Restructuring, Firm Shifts Focus To Daimler Lines

By Brandon Mitchener International Herald Tribune FRANKFURT — AEG AG announced plans on Wednesday to sell its profitable appliances division to Electrolux AB of Sweden as part of a sweeping reorganization that will cost the company 12,000 of its 60,000 jobs.

Metallgesellschaft Appoints Panel To Oversee Chief

By Darrell Delamaide and Ruth Baker Bloomberg Business News

FRANKFURT — Heinz Schimmelbusch, chief executive of Metallgesellschaft AG, has been put on probation as the German metals and trading company has unexpectedly descended into a loss, an executive with close links to the company said Wednesday.

Xerox to Shed 10,000 Jobs In Its Largest Cuts Ever

Company in Our Staff From Dispatchers STAMFORD, Connecticut — Xerox Corp. said Wednesday it would cut more than 10,000 jobs, or 10 percent of its work force, close plants and take charges totaling \$854 million to streamline operations and settle an antitrust lawsuit.

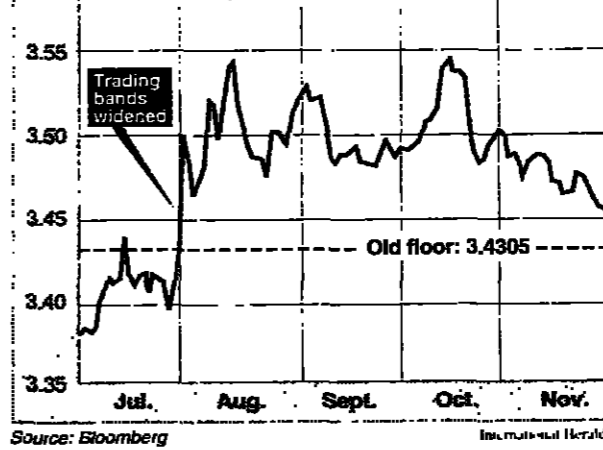
Xerox stock jumped \$5.50, to \$86.25, in heavy trading on the New York Stock Exchange. The world's leading seller of high-volume copiers, said the employment cuts and other restructuring actions would result in a fourth-quarter charge of \$700 million.

French Franc Back Home in the Range

By Carl Gewirtz International Herald Tribune

PARIS — The so-called hardcore currencies of the European Monetary System were reconstituted Wednesday as the French franc, the focus of last summer's currency crisis, rose to within its pre-crisis range against the Deutsche mark.

The Recovering Franc



Stock Prices Gain in Europe

Agence France-Press LONDON — European stocks staged strong advances Wednesday, as market indexes in London, Paris and Frankfurt rose more than 1 percent.

INTERNATIONAL MANAGER Can Rewards Be Punishing?

By Jay Mathews Washington Post Service

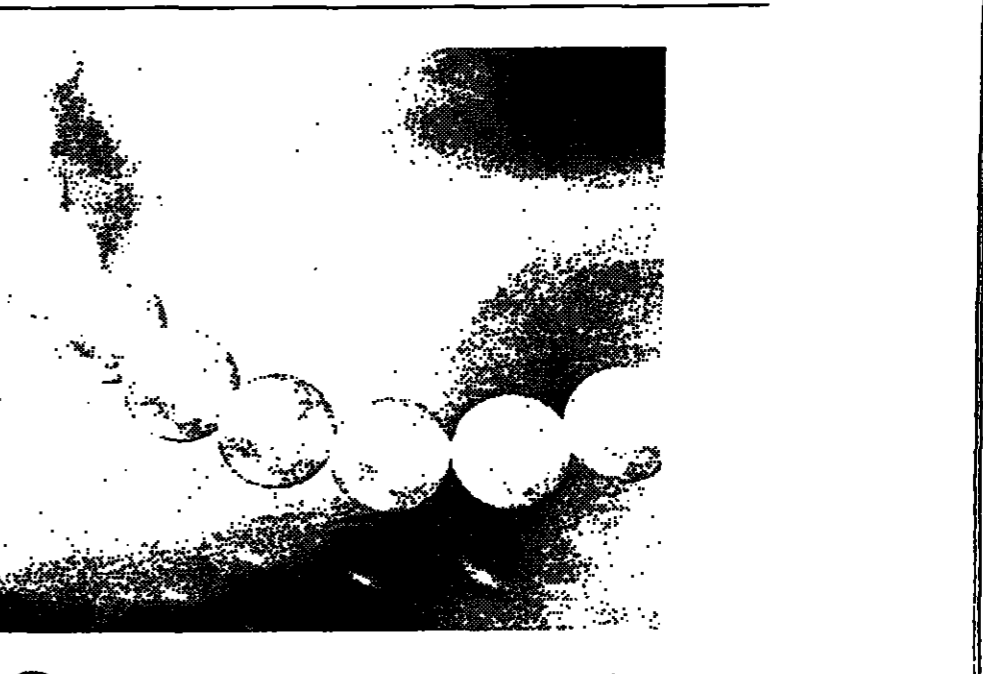
NEW YORK — In the early 1960s, two graduate students working independently on the ancient problem of coaxing the best from human beings stumbled across results they did not understand. Louise Brightwell Miller at the University of Kentucky discovered that 9-year-old boys were less likely to solve a simple identification test when they were paid for right answers than when they worked for free.

Toshiba Sets Investigation In Chip Case

Agence France-Press

TOKYO — Toshiba Corp. said Wednesday it was investigating allegations made in news reports that it had covered up a transfer of microchip technology to East Germany in 1987 that was a possible violation of controls on exports to Communist countries.

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CURRENCY & INTEREST RATES

Table with multiple columns: Cross Rates, Eurocurrency Deposits, Key Money Rates, Other Dollar Values, Forward Rates. Includes various currency pairs and interest rates.

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Table with multiple columns: Eurocurrency Deposits, Key Money Rates, Other Dollar Values, Forward Rates. Includes various currency pairs and interest rates.

CURRENCY & INTEREST RATES

Table with multiple columns: Eurocurrency Deposits, Key Money Rates, Other Dollar Values, Forward Rates. Includes various currency pairs and interest rates.

MARKET DIARY

Several Key Issues Push Dow to Record

Complied by Our Staff From Dispatches
NEW YORK — The Dow Jones Industrial Average set a record for a second day, fueled by shares of Alcoa and J.P. Morgan, which accounted for about two-thirds of the average's advance.

most-active NYSE issue, falling 3/4 to 34 1/4 in dividend-related trading. Vodafone followed, up 1 1/4, at 85 1/4. Telefonos de Mexico rose 1 1/4 to 6 1/4 after President Bill Clinton signed the North American Free Trade Agreement.

J.P. Morgan gained 1 1/2 to 72 1/4. The bank raised its quarterly dividend to 68 cents a share from 60 cents, and said it will buy back as much as seven million of its outstanding shares.

Alcoa gained 3 1/4 to 72 1/4 on reports the company will supply aluminum bumpers for the new Toyota Avalon sedan that will go on sale in the 1995 model year.

Computer software stocks were among the biggest losers after an analyst at Goldman Sachs cut his earnings estimates for Microsoft Corp. The stock slumped 2 to 83 1/4.

Shares of international oil companies declined on concern about a plunge in crude prices to the lowest levels in five years. Exxon fell 3/4 to 62 1/4. Mobil declined 1 1/4 to 73 1/4, and Amoco lost 1 to 52 1/4.

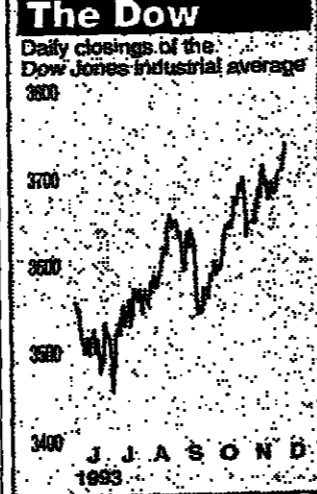
Continental Airlines Inc. Class B shares fell 1 1/4 to 20 1/4 after the airline sold 7.2 million Class B shares. (Bloomberg, UPI)

Underlining the inflation concern, gold for December delivery rose \$6.40 an ounce, to \$383.80, on the Commodity Exchange.

The bellwether 30-year Treasury bond edged up 1/32 to 101 5/32, while its yield slipped by a slight 0.23 point, to 6.16 percent.

Pacific Gas & Electric was the

The Dow



NYSE Most Actives

Table listing NYSE Most Actives with columns for Volume, High, Low, Close, and Change.

AMEX Most Actives

Table listing AMEX Most Actives with columns for Volume, High, Low, Close, and Change.

NYSE Diary

Table listing NYSE Diary with columns for Advancing, Declining, Unchanged, Total Issues, and New Issues.

AMEX Diary

Table listing AMEX Diary with columns for Advancing, Declining, Unchanged, Total Issues, and New Issues.

NASDAQ Diary

Table listing NASDAQ Diary with columns for Advancing, Declining, Unchanged, Total Issues, and New Issues.

Dow Jones Averages

Table listing Dow Jones Averages including Industrial, Composite, and International.

Standard & Poor's

Table listing Standard & Poor's indices.

NYSE Indexes

Table listing NYSE Indexes such as Composite, Industrial, and Finance.

NASDAQ Indexes

Table listing NASDAQ Indexes including Composite, Industrial, and Finance.

AMEX Stock Index

Table listing AMEX Stock Index.

Dow Jones Bond Averages

Table listing Dow Jones Bond Averages including 20 Year, 10 Year, and 5 Year.

Market Sales

Table listing Market Sales for NYSE, AMEX, and NASDAQ.

N.Y.S.E. Odd-Lot Trading

Table listing N.Y.S.E. Odd-Lot Trading for Dec 7 and Dec 8.

S&P 100 Index Options

Table listing S&P 100 Index Options for Dec 7 and Dec 8.

EUROPEAN FUTURES

Food

Table listing European Futures - Food.

Industrials

Table listing European Futures - Industrials.

COPPER (LME)

Table listing COPPER (LME) prices.

WHITE SUGAR (NY)

Table listing WHITE SUGAR (NY) prices.

Metals

Table listing European Futures - Metals.

Financial

Table listing European Futures - Financial.

GERMAN GOVERNMENT BOND (LIPPED)

Table listing GERMAN GOVERNMENT BOND (LIPPED).

GASOLIN (LIPPED)

Table listing GASOLIN (LIPPED) prices.

CRUDE OIL (LIPPED)

Table listing CRUDE OIL (LIPPED) prices.

Stock Indexes

Table listing Stock Indexes including FTSE 100, Nikkei, and Hang Seng.

Spot Commodities

Table listing Spot Commodities including Aluminum, Copper, and Zinc.

Dividends

Table listing Dividends for various companies.

Fed Issues 'More Optimistic' Report

WASHINGTON (Combined Dispatches) — Inflation remains low, and the economy is growing at a "moderate" pace, the Federal Reserve Board said Wednesday in its so-called tan book report on current economic conditions.

The report said the picture the central bank had received of the economy was "generally more optimistic" than what its data depicted only "slow to moderate" growth.

Separately, the Labor Department said productivity rose more during the third quarter than was previously thought, registering its biggest increase in six years. It said nonfarm productivity was up 4.3 percent in the quarter instead of the originally reported 3.5 percent. (Bloomberg, UPI)

Litton Unit to Buy Out Dresser Stake

NEW YORK (Combined Dispatches) — Litton Industries Inc. said Wednesday that its Western Atlas Inc. unit would pay \$358 million in cash and \$200 million in seven-year notes to purchase a 29.5 percent stake in the subsidiary held by Dresser Industries Inc. Litton plans to spin off the Western Atlas business.

Dresser said it expected a \$150 million gain on the sale. Litton said it would take a charge of \$172 million to adjust the value of assets at Western Atlas International, a Western Atlas unit. (Knight-Ridder, Reuters)

ITT to Spin Off Forest-Products Unit

NEW YORK (Combined Dispatches) — ITT Corp. said Wednesday it planned to spin off its forest-products business to its shareholders. The financial services, manufacturing and lodging conglomerate said the proposed tax-free spinoff of ITT Rayonier Inc. would create a company with an estimated equity value of \$800 million. The unit has assets of \$1.5 billion and had sales of almost \$1 billion in 1992.

ITT stock jumped \$2.75, to \$91.75. Shareholders will get a special dividend of one Rayonier common share for every four ITT common shares or every 3.155 shares of ITT Series N preferred. (AP, UPI)

Georgia-Pacific to Sell Envelope Unit

ATLANTA (Bloomberg) — Georgia-Pacific Corp. said Wednesday it signed an agreement to sell its envelope-manufacturing business to Sterling Group Inc., a closely held investment group based in Houston, Texas, were not disclosed. The paper and forest-products concern said it expected an after-tax cash gain of \$110 million to \$120 million from the sale.

U.S. Surgical Plans Job Reductions

NORWALK, Connecticut (AP) — U.S. Surgical Corp. said Wednesday it would eliminate as many as 500 jobs and sell or consolidate some plants in an intensification of its cost-cutting campaign. The company, which makes surgical staplers and other surgical products, two months ago laid off 700 employees and cut production, citing increased competition and lagging sales. U.S. Surgical said it would take a \$125 million restructuring charge against fourth-quarter earnings.

New England Phone Firm to Cut Jobs

NEW HAVEN, Connecticut (UPI) — Southern New England Telecommunications Corp. announced on Wednesday a restructuring that includes plans to slash 2,500 employees from its payroll over the next two years. The company said charges resulting from the layoffs will result in a fourth-quarter loss. The board also elected Chief Executive Officer Daniel J. Miglio to the position of chairman effective Jan. 1.

For the Record

The New York Cotton Exchange said it had signed an agreement with the New York Stock Exchange to acquire its wholly owned subsidiary, the New York Futures Exchange. (Reuters)

Jefferson Smurfit Corp., which collects, recycles and markets waste paper, said it had approved capital spending of more than \$100 million to expand capacity and modernize operations. (Bloomberg)

FRANC: French Currency Gains

Continued from Page 9

franc could return to its central rate of 3.35 to the mark. But many analysts were quick to point out that the recent currency moves had as much to do with the weakness of the mark as with any positive developments in the rest of Europe.

Foreign Exchange

driving down their currencies in the process—to boost economic activity and bring down unemployment. Although they never went far in that direction, speculation still pushed the other currencies outside their former ranges. The French franc slid 5 percent below its old floor of 3,405 francs to the mark.

Dollar Gains Against Yen

The dollar rose against the yen Wednesday but was mixed against European currencies, news agencies reported from New York. At the close, the U.S. currency stood at 108.90 yen, up more than a yen from 107.48 Tuesday. It had risen above 109 yen earlier, on reports that a U.S. Federal Reserve Board member, Wayne Angell, had said the dollar should be trading at 120 yen. Mr. Angell denied the report.

Stock Markets in Madrid and Milan were closed Wednesday for a holiday.

Business and financial news continues on pages 18 to 21

WORLD STOCK MARKETS

Table listing World Stock Markets for various cities including Amsterdam, Brussels, Frankfurt, London, and Paris.

Stock Markets in Madrid and Milan were closed Wednesday for a holiday.

Table listing Stock Markets for various cities including Amsterdam, Brussels, Frankfurt, London, and Paris.

U.S. FUTURES

Table listing U.S. Futures for various commodities including Grains, Metals, Livestock, Food, and Commodity Indexes.

ADVERTISING SECTION

ADVERTISING SECTION

Economic Outlook / Structural Stress

Free Markets in Collision With the Social Safety Net

The last five years have seen the demise of the communist state in Eastern Europe. Will the next five years see a comparable decline in Western Europe's cherished concept of democratic socialism?

Real wages increased 70 percent in 20 years

Japan and 11 percent in the United States. Many experts are now saying that this is not the right approach—the right structure, they call it—for a prosperous Europe in the 21st century.

Growth in Asia, according to most estimates, is expected to be 4 percent to 5 percent a year in the immediate future. In the United States, it is predicted to be 3 percent, and in the European Community, not much more than 2 percent, if that.

Unless and until Europe's growth catches up, unemployment will remain at or above 10 percent, Mr. Hufbauer predicts. But many experts believe unemployment may have to increase—or wages and social benefits will have to fall—before Europe can become productive enough to increase growth.

"Something has to crack eventually," Mr. Hufbauer says. "Maybe the unemployed will rise up. It could be a very interesting drama."

Things will pick up somewhat in Europe as the recession ends, just as the U.S. economy is gradually turning upward. But Europe's recovery may be longer and not as complete because of the structural problems: the fundamental ways in which Europeans work and live, and the way their governments and their big companies are run.

The focus of what is wrong with Europe, both immediately and for the future, has been unemployment. The jobless total is approaching 20 million in the 12-nation European Community, more than 10 percent of the work force.

For many employees in Europe, including governments that support some of the world's largest public-sector work forces outside the old communist regimes, European workers have simply become too expensive. German social spending has risen from 26.5 percent of gross wages in 1970 to an expected 40 percent next year. In France, 44 centimes of every franc collected in taxes goes to social welfare programs.

High wages and social costs, whether paid directly by employers or indirectly by taxpayers, have hurt European productivity. According to

OECD statistics, industrial production in Europe is at virtually the same level as in 1989; yet wages have risen 7 percent to 8 percent a year. Per-unit costs of output in Germany are 35 percent above Japan's, and 50 percent above those in the United States. As global markets open to freer trade, higher prices for European goods mean that sales decline both at home and abroad. Profits disappear, and so do jobs.

What can be done? Comparable conditions in the United States in the 1970s and '80s led to a painful restructuring, with many layoffs. The U.S. work force, however, proved its flexibility, creating millions of new jobs, primarily in small and medium-sized companies, many in service industries.

Western Europe has seen real wages increase by 70 percent over the past 20 years, but the number of jobs by a mere 7 percent. Certainly one reason is the relative inflexibility of the European labor market, particularly in shifting workers from manufacturing to services. David Roche, chief European strategist in the London office of Morgan Stanley, says: "An immense shift in the European labor market will be necessary to restore international competitiveness. It has taken the United States, with its brutally efficient markets, a good 10 years to turn its situation around. It will certainly take Europe, with its almost feudal sense of community, much longer."

Europeans who believe they have lifetime jobs, particularly in the public sector, are often unwilling or unable to change occupations. Few are as willing as Americans to move for a job. Those who might like to start a new business are often discouraged by red tape. Likewise, rules and regulations that inhibit hiring and firing add to the inflexibility of European labor.

Germany is typical. A survey of thousands of German businesses found that one-third wanted to move all or part of their operations abroad in the next three years, usually to Eastern Europe. Along with high labor costs, they cited government regulations and paperwork required for plant expansion and new research programs.

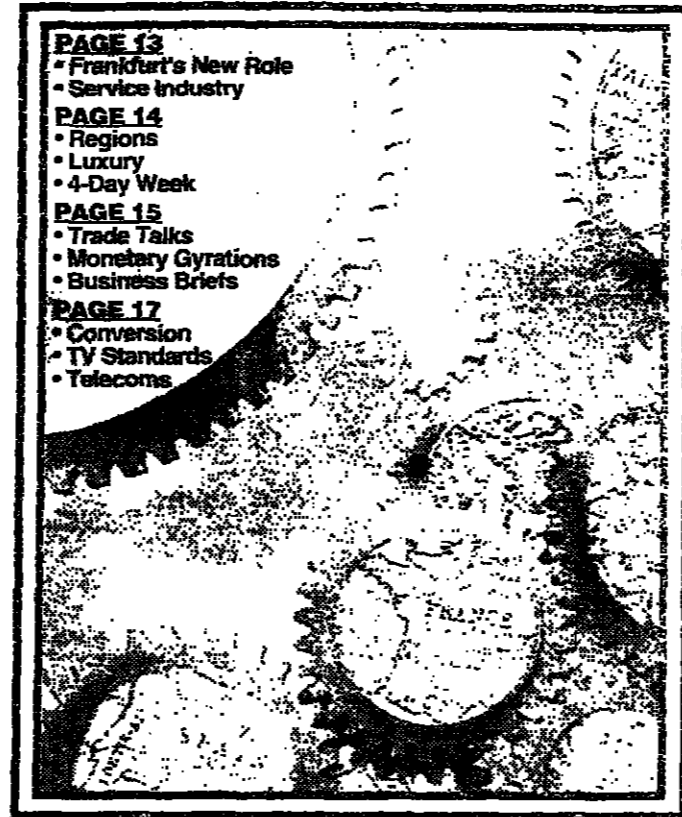
Chancellor Helmut Kohl puts it this way: "Bureaucracy, complicated administrative procedures and overlong planning and approval periods are making it more difficult to establish a modern, high-technology industry in Germany."

Not that European captains of industry are models for the rest of the world. A good example of how European management lost its way was in high-definition television. Europe was going to set the industry standard, but now has all but given up on the idea of competing with the United States and Japan.

Acceptance of new technology has been slow, and innovation on all levels has not been European management's strong suit; strategically, many companies have been as afflicted by inflexibility as their workers.

Just as their respective countries scratch at each other to defend their home trade niches in the single market, European managers find themselves struggling against each other even as they contemplate cross-border mergers that would allow their companies the economy of scale to

European Economic Review



Re-tooling Europe

COMPETE GLOBALLY. The KLM-SAS, Swissair and Austrian airlines managers said they needed to combine to have the economy of scale to survive in the global marketplace, but their merger talks fell apart because they could not agree on which U.S. airline to link up with.

In this time of crisis, too many European governments are lacking strong leadership. Unpopular, tired, with few new ideas, distracted by scandals, European leaders have been unwilling to take the sort of bold positions that might lead to restructuring. Michael

Continued on page 14

Interview / Peter Jankowitsch

Weighing Variables Of Europe's Future

Peter Jankowitsch, formerly Austria's minister of foreign affairs and state minister for European integration, is currently ambassador to the Organization for Economic Cooperation and Development in Paris. He discussed the outlook for Europe in an interview with Axel Krause, corporate editor of the International Herald Tribune. Following are excerpts from the interview:

What is your scenario for economic performance in Western Europe over the coming year?

My scenario is neither optimistic nor pessimistic. Why? Because the big growth machines, like Germany and, to some extent, Italy are still in a state of trouble.

But aren't there signs, or claims, of recovery in Britain and France?

In some of the big economies, including Britain and France, yes. But for the moment, it is marginal, and the big question remains Germany. More important and to an increasing degree, we must watch what is happening in Eastern Europe, which for the last decade was not really a factor. Hungary, Poland and their neighbors in the region are beginning to shape themselves economically, and today they count.

But aren't most of them also in recession?

Not Poland. And that's good, because it's the biggest economy. Hungary and [the former] Czechoslovakia are still in recession or experiencing zero growth, but for next year, the outlook is quite good, with demand for goods and services growing.

How is Austria's trade with its Eastern neighbors being affected?

Without exaggerating, our export performance is just fantastic at the moment.

With Slovenia alone, we are doing practically as much business as we formerly did with the whole of Yugoslavia. So, the good news is that the East Europeans are doing better, and this will have positive influences on Western Europe.

How do you read North-am Europe with the approach of 1994?

I am not sure about the Baltics undergoing any early recovery. But there are signs that the Scandinavian economies, which were very down, might do a little better. Perhaps a combination of growth in Eastern

Continued on page 12



Peter Jankowitsch, Austrian ambassador to the OECD.

Europe and some upswing in nearby, smaller economies—Austria will do quite well again next year—might have an aggregate effect. Taking into account what is also happening in Britain and France, the outlook, basically, is not bad.

Is the OECD integrating East European economic performance into its regular outlook forecasts on Europe?

Not yet. But they should, because these countries are having a growing effect on the overall economic

This advertising section was produced in its entirety by the supplements division of the International Herald Tribune's advertising department. • Steven Bartlett is a Paris-based free-lance writer specializing in information technology. • Heidi Ellison is a free-lance writer based in Paris. • Peter Gwynne is a Brussels-based writer who specializes in science and technology. • Timothy Harper, a writer and lawyer, is the author of "Cracking the New European Markets," published by John Wiley & Sons, New York. • Axel Krause is corporate editor of the International Herald Tribune. • Pamela Ann Smith is a London-based financial writer. • Terry Swartzberg is a Munich-based business writer. • Alan Tiller is the author of "Guide to Business Travel Europe" and "The Eyewitness Guide to Paris."

Privatization / Instrument for Growth

To Focus Industry, Put It on the Block

Governments across Europe are moving ahead with privatization, despite fears of even more unemployment caused by the downsizing that usually follows the sales of public-sector behemoths.

The approach currently may be to soft pedal, as the French have shown by backing away from dealing with overstuffed Air France or the protected child-service status of the employees at France Telecom. Yet the commitment to privatization remains in France and has assumed new vigor in Italy.

Salvatore Zecchini, assistant secretary-general of OECD, said recently: "It is not a casual coincidence of history if nowadays privatization stands high on the political and economic agenda of both several OECD countries and all the post-communist countries. It is rather the result of a fundamental conclusion drawn by governments in both areas, namely that privatization is a major instrument to realize important welfare gains for the country because it revives economic initiative and promotes innovation and high productivity, all factors that lead to sustained growth."

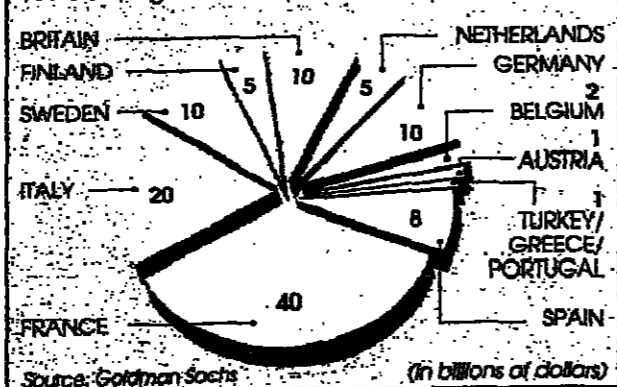
The French government, which is launching a second wave of privatizations following those of the 1986-88 period, is anxious to collect some \$34 billion from the sale of four banks, five insurers, 10 industrial companies and two transport concerns. It also sees the sales as logical.

"Privatization is a decisive part of the modernization of France and is part of an irreversible movement," says Edmond Alphandery, the

French minister for the economy and finance. "Our conviction is governed by realism and pragmatism."

Sales are planned in several European countries. Italy's program will eventually be larger than that of France, provided the country's precarious politics do not lead to delays. Belgium and the Netherlands plan to privatize their telecommuni-

PRIVATIZATION IN EUROPE 1993-1997. Privatization in Europe during the period 1993-97 is projected to total \$108 billion, nearly twice the \$56 billion figure for 1987-92.



cations utilities, having seen that British Telecom's privatization was a big success, as has been the partial privatization of Telefonica in Spain. One Madrid analyst explains: "They have cut the rates for international calls, although raising local ones. Waiting lists have been reduced, and the technology is better all around." It is hard to recall the days, not so long ago, of a waiting list of half a million and thousands of villages without even a public phone. Telefonica, as it becomes freer, has raised its investment to \$5 billion a year.

Certainly, privatizations have been good for in-

vestors. Shares of privatized companies have outperformed the market in France—Alcatel Alsthom's shares doubled in the four years after privatization as the electrical and telephone equipment company was free to pursue foreign joint ventures and raise money. In Spain, Repsol (oil, gas and chemicals), Telefonica and the bank Argentaria have be-

come leaders of the Spanish market. The Spanish have preferred partial privatization in order to safeguard jobs, a policy diametrically opposed to that of Britain, which has been prepared to shed jobs in large numbers and change management while waiting for long-term benefits, including a redistribution of work.

British Airways is the best example. It eliminated 20,000 jobs in the run-up to privatization in 1987 and has since put them back on. It is reporting record profits. As one London analyst states: "Slimming takes place when political considerations are removed, but if

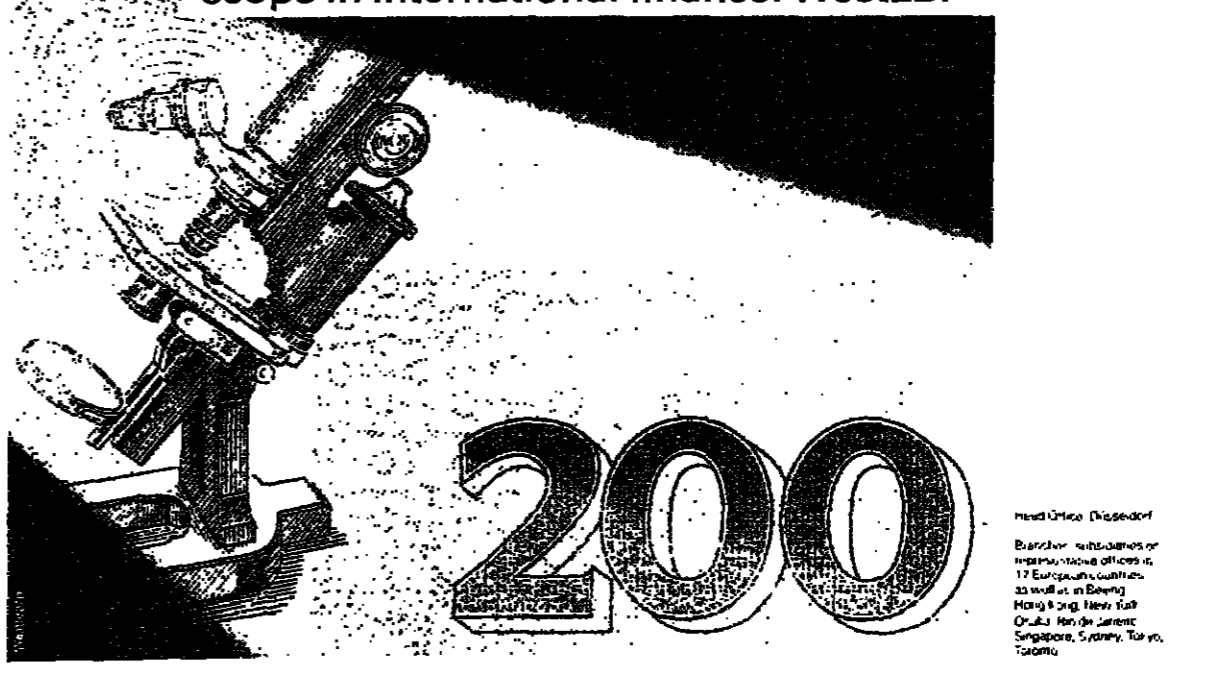
resources are allocated appropriately, employment is bound to benefit." The British economy may soon confirm or refute this thesis.

Stefan Szymanski of Imperial College, London, a leading writer on privatizations, says that all British utility prices have fallen, sometimes dramatically, as a result of privatizations—the exception being the water industry, which needed huge investment in order to meet European Community clean-water directives. British Telecom has undergone a technological revolution and cut prices. Service quality has risen in general. He adds: "Productivity has increased in all industry, and the most important factor in both public and private industry is whether there is competition."

"Job security will be based on performance in the future," says Bessel Kok of soon-to-be-privatized Belgacom. Wim Dik, chairman and chief executive officer of KPN, the Dutch telecommunications company, now awaiting full privatization in 1994, says: "Since corporatization, the change of status to joint-stock company, KPN is a much nicer place—less complaining and navel-gazing; more energy and action."

Continued on page 14

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ADVERTISING SECTION

Interview / Peter Jankowitsch

# Weighing Variables of Europe's Future

Continued from page 11

performance of Europe. They are also becoming highly competitive with Mediterranean countries - Spain, Portugal, Greece - and these countries are worried. Because for some of the services they perform, like low-cost, low-wage transformation, East and Central European countries are attracting away investments. For countries like Austria, Germany and Italy, it's now much more practical to use joint ventures in Slovenia, or Hungary - maybe someday in Romania.

**Turning to the GATT negotiations, and assuming there is agreement by Dec. 15, what will be its impact on Europe's short-term economic outlook?**

One short-term effect will be a certain growth in business confidence. It means that people can count on a set of rules, new opportunities which will be opened by the agreements, which will, in turn, influence investment decisions positively. A GATT agreement would be good for stock markets.

**And if there is no meaningful agreement?**

It will increase uncertainty. Then there would be the question: What comes instead of GATT? Chaos? New, increased tensions?

**Looking at the European Community's single-market program, what would you say it contributed to Europe's position in the world, compared to the Maastricht treaty and its establishment of broad goals for political and monetary union?**

While no one talks about it, the single market had a far more positive effect than Maastricht, which created a lot of confusion, controversy and did not really add to the image of the Community. The single market had a tremendous effect on business confidence. Overall, it played a key role in making Europe more attractive and united regarding economics and trade.

**Today, everybody is talking about a revival of Euro-sclerosis and Euro-pessimism. What went wrong?**

This talk comes back every 10 years, like a recurrent disease. But it is, in fact, very difficult to say what went wrong, because the beginning of 1992 was a time of tremendous enthusiasm and confidence. Maybe there was too much euphoria at the beginning, and too much pessimism at the end. Then Maastricht also overtaxed the political wills in EC member countries. Maybe the basic mistake was that Maastricht, the product of brilliant minds, did not take into account completely what people and business leaders wanted.

**So has Europe reached the limits of integration?**

Maastricht has clearly shown that there are certain limits - regarding, for example, a single currency, a feeling of European identity. An overdose of integration has also triggered the trend toward protectionism. Beyond that, there is enormous controversy between supranational and national elements in the Community, between national parliaments and the European Parliament. It leads to the conclusion that we need to rethink balancing arrangements between supranational and national authorities.

**What is your reaction to those who argue that what is shaping Europe is development of regions?**

This is a very tangible thing. The best example is the Northern League in Italy. It tells us that the classical, European nation-state has not been able to offset the effects of supranationalism. Here I mean decisions taken by Brussels. People still worry about their rights. People want to decide what happens around them, they want to be consulted. Regionalism is a response, and will certainly grow.

**Where do you see regional strength?**

In Italy, Spain and Austria, where there is a very strong regional feeling between Vienna, Trieste, Lubiana - and the Danube region, with the two poles being Vienna and Budapest. There is also Alpine regionalism, which includes the Grison, Bavaria, the Tyrol. Trans-border investments are having an impact. We are now completing the Vienna-Budapest highway, enabling one to drive the 235 kilometers in two to three hours, creating a very important economic axis.

**Turning to Austria's pending application for EC membership, what are the most important conditions being pursued by your government?**

In the very important sector of agriculture, we have to find some kind of transition agreement, because the level of agricultural prices in Austria is so high that our farmers would lose considerable income if they were immediately thrown into the EC market. It is not an opt-out arrangement, but one of establishing an appropriate transition period. In addition, we feel certain parts of Austria qualify for structural financial aid from Brussels.

**Where?**

Burgenland, the easternmost province of Austria, formerly in the Russian zone of occupation - it is fairly underdeveloped. Norway's arctic regions can also be considered worthy of some structural help.

**What is your reaction to the March 1994 deadline for completing the negotiations for EC membership for Austria, Sweden, Norway and Finland?**

It is a little tight. Yet, there can be no treaty unless the European Parliament agrees. On June 5, 1994, there will be elections to the parliament. So March is the very last moment to look at this (membership) treaty before then. Also, the new incoming parliament will look quite different politically. It's safer to deal with the present parliament.

**Isn't the real test going to come afterward, with referenda in each of the four countries?**

Yes, and everything will depend on the conditions the Community can offer, and whether they prove attractive

to voters. Only one country has a clear majority in favor - Finland. The most negative is Norway - two-thirds are opposed. Sweden also has a very clear majority against membership. In Austria, only a slim majority is in favor. The tough problem is the large numbers of undecided. Depending on when the negotiations are completed, the voting could come in the summer of 1994, at the earliest.

**How do you see East European countries fitting into the EC?**

I am hesitant to talk about it as long as we are not a member, but my personal feeling is that the EC is probably the last organization to which they will be admitted.

**Why?**

Because the Community will need five or six years to digest the new members we have been discussing, and these countries are already relatively well-adapted. So the hope is rather slim.

**What do you recommend?**

They should join EFTA [the Euro-

pean Free Trade Association]. EFTA has always been a bridge to the EC. By being in EFTA, outsiders can deal with Brussels on a multilateral basis, while learning the tricks of free trade and gaining more respectability.

**How can Europe compete effectively in the world economy?**

We are not going to make it by imitating East Asia. We need to develop a new, imaginative division of labor through more flexible working hours - for some companies it might be a four-day week. We need to place a much greater emphasis on quality.

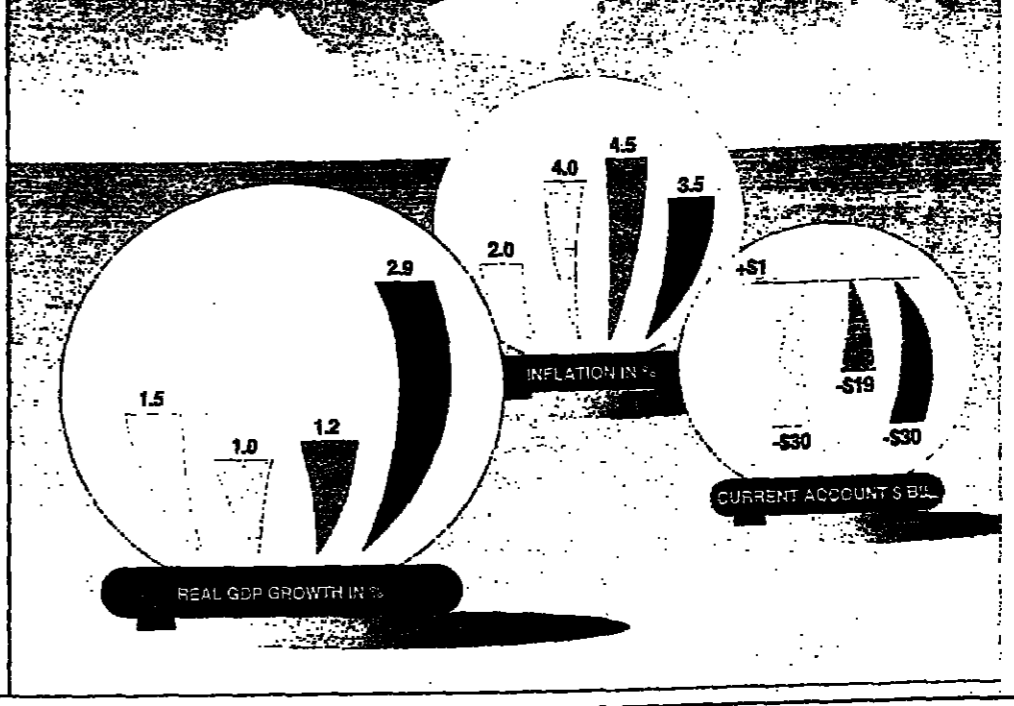
**What is your reaction to the recent EC proposals to boost its economic growth by public spending, and fiscal and other stimulative measures?**

I am not sure the Community is the best place to do this. The OECD, comprising 24 countries, might be better placed for such initiatives, coordinated with the EC, of course. A good time for a "Big Bang" initiative would be at the time of the OECD ministerial meeting in Paris next June 7 and 8.

## ECONOMIC OUTLOOK FOR 1994

ESTIMATED REAL GDP GROWTH NEXT YEAR FOR THE EC'S MAJOR ECONOMIES RANGES BETWEEN 1 PERCENT AND 3 PERCENT, COMPARED TO THE OECD'S PREDICTION OF 1.8 PERCENT FOR EUROPE OVERALL.

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European Monetary Institute / Home on the Main

# Frankfurt's New Profile as EC Financial Center

The choice of Frankfurt as the site of the new European Monetary Institute (EMI) and of its successor, the European Central Bank, is focusing worldwide attention on a city that is already well-known for its thriving financial community. More foreign banks are expected to locate in Frankfurt as a result, supplement-

located in Frankfurt, the choice, he added, reaffirmed the city's reputation as a focal point for the fight against inflation as well as a symbol of stable currencies.

Located on the river Main in the heart of the European Community, Frankfurt is already the home of more than 400 financial institutions. Nearly two-thirds of these, including such money-center giants as Citibank of the United States, are from other countries in Europe, North America, Asia and Latin America.

Germany's own leading banks — including the Deutsche Bank, Dresdner Bank, BIG Bank and mortgage institutions such as the Deutsche Hypothekbank Frankfurt, the Frankfurter Hypothekbank and Allgemeine Hypothekbank — have their headquarters in the city.

This year, the Frankfurt Stock Exchange; the Deutsche Terminboerse, the futures and options exchange; and the Deutscher Kassenverein, the financial settlements organi-

zation, have joined forces to establish the Deutsche Boerse, or German Stock Exchange, in the city. By creating a financial trading complex under one roof that will be one of the most modern in the world, Frankfurt's position as a financial center will be further enhanced.

Computerized share dealing for leading equity and fixed interest issues as well as screen-based trading for futures and options are now possible. Even before the move, the Frankfurt Stock Exchange alone accounted for almost 70 percent of total securities turnover in Germany.

As a result, banking and insurance today account for almost 20 percent of Frankfurt's gross domestic product and about 10 percent of its work force. Still others are employed in a host of service industries — law, accounting and computer firms, as well as journalism — related to the financial sector.

Germany's own banks are experiencing one of their most profitable years yet. Figures for their 10-month

results, due out shortly, are expected to show windfall profits from the huge rise in trading this year on German stock and bond markets. In the meantime, commission income has been rising, while lending to East Germany and to other parts of Eastern Europe has soared.

While loan-loss provisions, made necessary by the continued recession at home, are likely to eat into some of these gains by year end, the expansion of cross-border operations to win a larger market share in the European Community is expected to offset some of the losses.

Deutsche Bank, the country's largest quoted bank and a mainstay of the Frankfurt financial community, is building up its investment banking and expanding its government securities trading activities in France, for example, while Dresdner Bank, the second-largest, recently completed a cooperation agreement with the French giant, Banque Nationale de Paris.

Pamela Ann Smith

## EMPLOYMENT IN THE EC SERVICE SECTOR

As of end-1991, 60.8 percent of those employed in the EC worked in the service sector, a 10 percent increase over 1975. Productivity, meanwhile, rose from 46 percent in 1988 to 61 percent in 1991.



Services / Gaining Ground

## In Service Sector, More Doesn't Yet Mean Cheaper

The European Community's service sector has finally achieved a size and sophistication commensurate with its territory. The move into services has been caused by underlying economic trends and abet-

ted by the political decision to create a single European market. Yet the market's creation has not, by any means, yet lowered the prices of these services.

By any applicable criteria — employment level, total output or productivity — the EC's service sector has caught up. As of the end of 1991, according to Eurostat, 60.8 percent of all people employed in the European Community worked in the tertiary sector, placing the Community between the United States, at 69 percent, and Japan, at 58 percent.

This figure was 10 percent higher than the EC's 1975 level. Even more striking was the rise in total output, from 46 percent in 1988 to 61 percent in 1991. According to trade analysts, this jump is the "footprint" of the Single European Act's market integration directives.

This combination of a general, long-term rise in service-sector employment and a sharp, quick-paced increase in its turnover points to another positive effect of the single market: higher rates of individual productivity.

Today, according to a report released in early autumn by the EC's directorate for economic affairs and finances, the EC's service sector is more productive — in terms of value added per individual employee — than its industrial one. This reverses both the EC's pre-1988 track record and the current ones of the United States and Japan.

According to the Institut der Deutschen Wirtschaft, the Cologne-based economic think tank, the current figures for the service sector are, if anything, sharply understated. As the institute points out in a recent report, many large European companies have an increasingly important service component in their mix of activities. Examples of these "service providers masquerading as manufacturers" are numerous in the information technology, electronics and telecommunications sectors. These service activities are often the guaranties of corporate profitability and overall rates of employment. In Germany, the institute estimates, this misclassification has undercounted the country's service sector by a good 10 percent.

Nowadays, even nominally standard products are often more services than goods. AGFA-Gevaert AG, the Leverkusen-based producer of printing and graphic imaging equipment and supplies, recently launched its AGFA Chromapress computer-based printing system. This product comes with such additional services as training, maintenance contracts and "long-term support." Many of its innovative "service" features — integrated post-printing delivery among them — are attributable to the system's extensive built-in software.

Signs of the service sector's expansion are to be seen in all categories: retailing and repair, hotels and restaurants, transport, finance, communication and services for corporations. Helmut Rieke, chairman of the board at Germany's DBPT Telekom telecommunications authority, puts the current size of Europe's market for telecommunications at \$145 billion, up 23 percent over the last three years. Today, services account for 71 percent of that. By 1995, services are predicted to amount to 73 percent of a \$175 billion telecom market. Mr. Rieke attributes this ongoing growth to several factors, including deregulation, international standard-setting and the forging of alliances and operating groups among national suppliers.

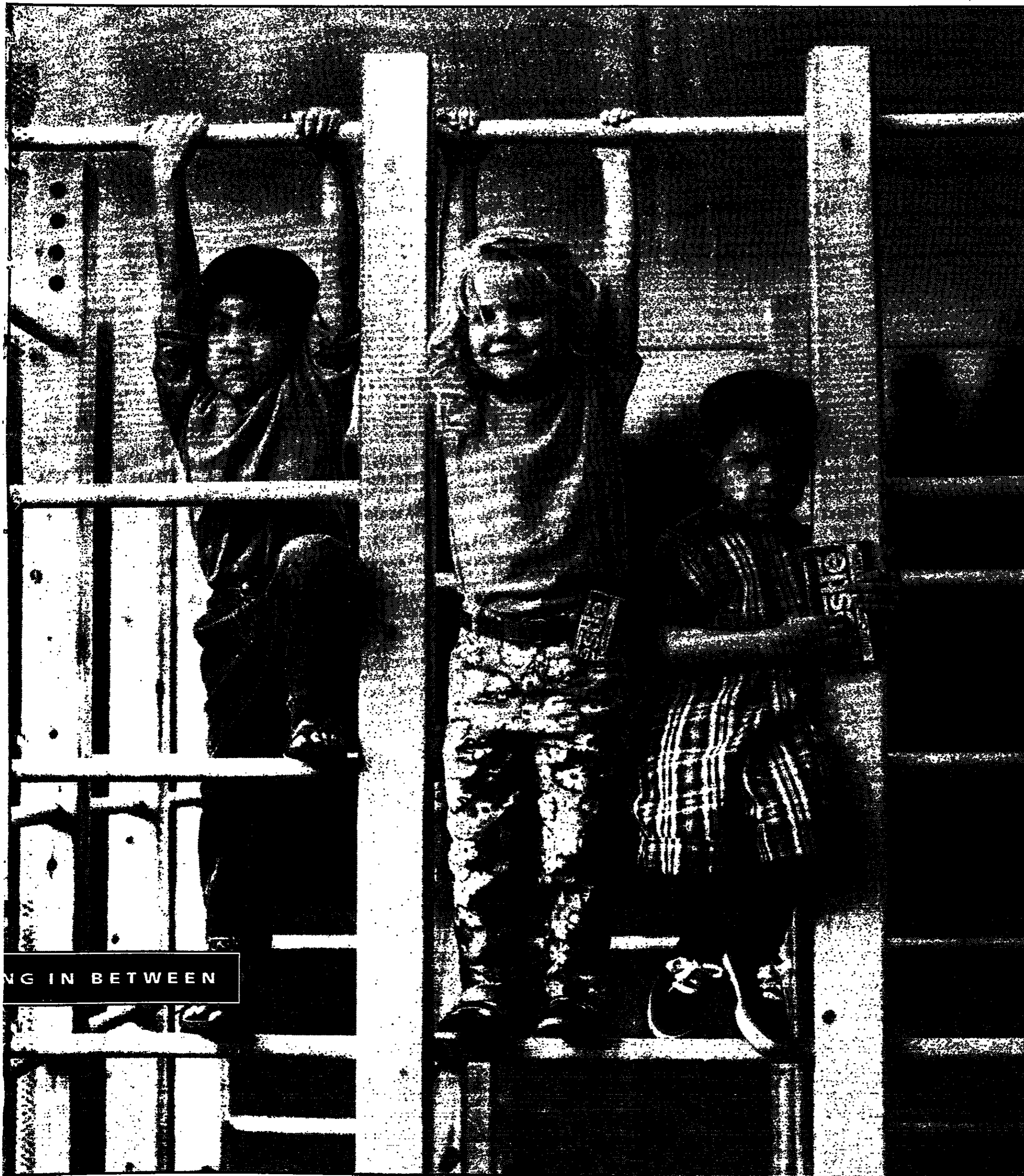
This was projected in the Cecchini report, which originally set forth the benefits of instituting the single market. One key prediction in the report has not materialized, however. Increased competition and access to previously closed national markets have not yet lowered the price of services — in fact, quite the opposite, according to the EC's committee of central bank presidents.

In 1992, the average price of industrial goods rose 3.2 percent in the EC, and that of services 6.6 percent, thus exacerbating a decade-long gap. While calling the service sector "a prime inflationary factor," the committee sees one sign of hope: "The liberalization of the EC's domestic market should soon start bringing more stability to prices."

Anton Rieder, EC expert at Westdeutsche Landesbank Girozentrale (WestLB), explains the reason for the lag between directive enactment and the creation of an open market. "In such important areas as the elimination of local preference and access regulations in the bidding for public-sector contracts, changes in the legal status have not yet led to new groups' securing orders — and for a simple reason. It takes time for national service suppliers to get to know foreign markets — and here the EC's contract information system is helping — and it takes time for them to crack what are often closed circles."

Terry Swartzberg

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Regions / The Building Blocks

# Investment in Regions Seeks Balance

A Barcelona student heads for the center created by his own university within the Lyon 2 campus in France. A St. Etienne businessman checks the address of the Rhône-

1994-99 funding: \$160 billion

Alpes region's office in Stuttgart. Textile manufacturers from Italy and Spain discuss with their counterparts common lobbying efforts in Brussels on cheap Asian textiles and how to set up joint export ventures.

Lyon was the focal point for these meetings last month, but similar gatherings are held regularly in

other major European cities within a framework of new regional and city contracts helped by the European Community.

A Europe of Regions - some call it the practical construction of the European Community - has been advancing, both before and after the Maastricht treaty debate. Another step forward will be the January launching of a 189-member Committee of the Regions - one member for each region - a consultative body established by the treaty.

Susanne Tiemann, the Cologne lawyer who heads the EC's Economic and Social Committee, another Brussels-based consultative body, says she hopes the new regional committee, formed of local politicians

named by the 12 EC governments, will speak for the "small units" in Europe and thus influence EC Commission proposals.

Cooperation networks may be growing fast, but most EC regional development grants remain allocated for major infrastructure projects, such as highways and bridges in Greece.

Extremely large sums, second only to agricultural subsidies, are dispersed by Brussels to bring the poorest and farthest-flung regions economically into line with their richer cousins and so create a more harmonious Europe.

Bruce Millan, EC commissioner for regions and responsible for allocating funds, which are two-and-a-half times higher than during the previous six-year period, has called for an updated "Europe 2000" policy now that the new German states are among the underprivileged regions. The demise of communism in Eastern Europe has given greater Europe what he calls "an east-west emphasis differing considerably from the predominant north-south bias of Western Europe after the last World War."

Mr. Millan notes that investment flows toward the Iberian peninsula, Scotland and Ireland, with their low labor costs, are slowing.

"The more mobile investments, especially in services, are again concentrating in the more accessible central regions of the Community."

In other words, harmonization of Europe's regions is a greater-than-ever necessity.

Around two-thirds of regional funds, which will total more than \$160 billion over the next six years, will be spent on transport, public works, industry and tourist projects. This will go to regions in Portugal, Greece, Ireland and Spain, as well

as areas in richer nations that can prove they are "Objective 1" regions, defined as having an output that is 75 percent of the EC average.

The "poor four" find themselves ranked with Britain's Merseyside, the Scottish Highlands and Islands, Belgium's Hainault border region, the corresponding region across the French border, Abruzzi in Italy, the Netherlands' Flevoland, the new German states, Northern Ireland and Corsica.

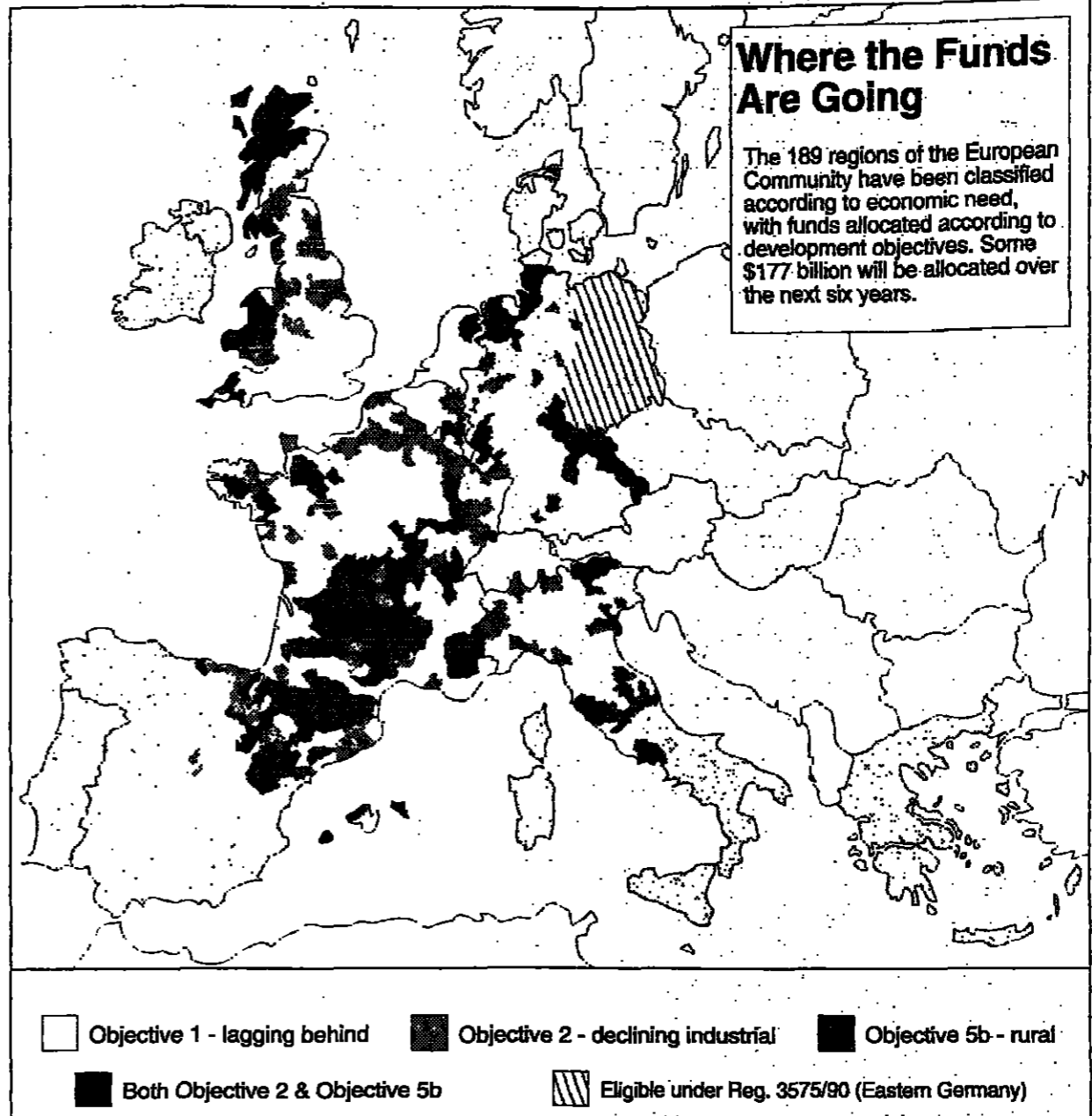
Greece, Ireland, Portugal and Spain will also share an additional \$17 billion from a seven-year "cohesion" fund to bolster their economies before eventual economic and monetary union.

The high priority accorded to improved transport will mean money for the Spanish high-speed rail line between Madrid, Barcelona and the French border, as well as Portuguese and Irish roads.

Water-quality programs in Portugal and Spain will also benefit from EC largesse. In Ireland, which receives the most money per person under the cohesion scheme, one project to receive EC aid will be a new tourist resort outside Dublin. Andalusia, the Algarve and the Aegean islands have benefited from tourist aid in the past.

Less-deserving "Objective 2" regions of high unemployment and industrial decline include a number of regions in Britain, France and Germany. Some \$50 billion is on offer for retraining workers and the restructuring of industry, important inducements for foreign investment.

The growing networking between regions, cities and towns is also widely funded - more than a billion dollars for so-called INTERREG projects - and often accompanies existing cross-border cooperation. They progress



Brussels is seeking to give empowerment to Europe's "small units."

## Luxury Goods / Opening New Markets

### Purveyors of Luxury Are Looking to Asia

The boom times of the 1980s are over for Europe's luxury goods industry, with champagne and cognac sales falling as the European recession and the Japanese economic crisis continue. On the bright side are the strong performances of perfume and beauty products, and the large potential of other Asian markets, including China. In the meantime, companies are restructuring and tightening their belts.

The Comité Colbert, an organization grouping 73 French luxury-goods companies, reported a turnover of 30 billion francs (\$5.1 bil-

### China could be the next frontier

lion) for its members in 1992, representing a 2.45 percent increase over 1991. Exports increased by 4.35 percent. Exports to Japan account for slightly more than half of members' Asia-Pacific business, and together with Hong Kong and Singapore, 75 percent worldwide. The Asia-Pacific region accounts for 25.8 percent, as compared with only 12.1 percent for the United States, 28.7 percent for France and 25.1 percent for the rest of Europe. Japan alone accounts for 13.2 percent of sales.

known names and designer knock-offs. In the first half of 1993, the net income of LVMH Moët Hennessy Louis Vuitton SA, which accounts for two-thirds of the French luxury-goods industry's sales, dropped 28 percent, to 935 million francs, even though sales were up 4 percent. The company's cognac sales to Japan, which accounts for one-fifth of its cognac business, dropped by 17 percent in 1992.

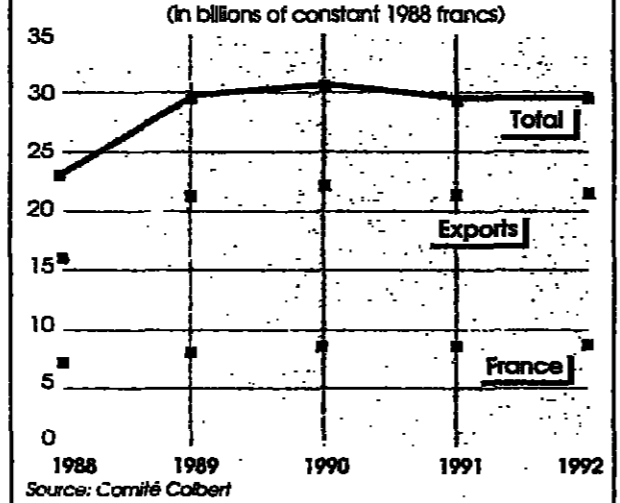
As a consequence, luxury goods companies are taking a closer look at other growing Asian markets, such as Taiwan, Singapore, Thailand, South Korea and especially China, with its population of over 1 billion. As one observer points out, even if only 5 percent of the population buys, that still represents a larger market than many in Europe.

European retailers are being cautious, however, about setting up establishments in China because of its lack of infrastructure, political uncertainty and potential for counterfeiting. Nevertheless, Cartier opened a boutique in Shanghai in October. Louis Vuitton, Ermenegildo Zegna and Celine have shops in Beijing; and Italian fashion designer Laura Biagiotti recently signed a contract with China's overseas investment company, Cico, to design clothing for the domestic market. Au Printemps, the largest department-store chain in France, announced in October that it would open a six-story store in Shanghai in 1994.

In reaction to the market slump, luxury-goods companies are also restructuring. In November, LVMH announced the sell-off of its RoC cosmetics unit to Johnson & Johnson at a reported price of \$169.2 million. At the same time, the

### ACCUSTOMED TO ITS STYLE

The Comité Colbert, the French association of 73 luxury-goods makers, shows turnover stabilizing after peaking in 1990.



company announced a restructuring of its champagne business, naming Yves Bernard, formerly president of the Moët & Chandon, as head of all LVMH's champagne business. The company is considering the resale of operating rights for Henriot champagne to Joseph Henriot, president of Veuve Clicquot, another of the conglomerate's subsidiaries.

house Kenzo, which also produces luggage, leather goods and perfume. In other recent industry moves, the new Vendome Group, which will include Cartier, Dunhill, Piaget, Baume & Mercier, Montblanc, Chloé and Karl Lagerfeld, was created by the separation of Rothmans International PLC and Dunhill Holdings PLC, both controlled by Compagnie Financière Richemont AG.

LVMH's champagne and cognac businesses were hit hard by declining consumption, a market glut of champagne, anti-alcohol campaigns and competition from lower-priced brands. In May, Moët & Chandon announced that it would lay off 230 employees over 18 months because of declining profit margins and increasing costs.

Other upscale liquor purveyors are also suffering from declining sales. Pernod Ricard's sales fell 2.4 percent in the year to March 31, 1993, and Remy-Cointreau's dropped 9.9 percent in the same period. The Louis Vuitton leather-goods division of LVMH, however, showed an increase in operating profits in the first half of this year, and perfume sales are also up. LVMH recently acquired the profit-making fashion

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## Work Week / When Less Is More

### The Four-Day Week: Solution or Sop?

Wolfsburg is at the door. European politicians and industrial leaders are waiting for early reports next year from Volkswagen, the home of Volkswagen's corporate headquarters, on the company's experiment with the four-day work week.



Jürgen Peters of IG Metall (left) and VW's Jochen Schürm announce the reduced work week of 28.8 hours in four days.

Across Europe, there is increasing sentiment for reduced working hours - mainly in the form of the four-day week - as a means of saving old jobs and creating new ones. But there are plenty of critics, and both

### Concept still to be proved

sides are eager to find out whether the shorter week works for VW.

Sales next year for Volkswagen, Europe's largest single automaker, are expected to be about 1.4 million, the same as this year, but down 200,000 from 1992. To stop losing money, the company said it would have to lay off 30,000 workers unless drastic steps were taken.

Late last month, the company and the German autoworkers' union reached a tentative agreement to take drastic steps. As of Jan. 1, more than 100,000 VW workers at six different plants will shift from a five-day, 36-hour work week to a four-day, 28.8-hour week. Their pay will drop by 10 percent, but the cut will come primarily in the form of a reduced year-end bonus. VW says it will save \$2 billion in wages and benefits over the next two years.

The new plan, nonetheless, will not be sufficient to guarantee the 30,000 endangered jobs, the company announced several days later, citing production cuts in its plants in Germany. The experiment is scheduled to last at least through 1995, but Volkswagen says

it will continue to spread work shifts over five days, so that the longer workweek can be restored quickly if there is a demand for more cars.

Most polled in Germany, where a 37-hour week with six weeks' paid vacation is standard, seem to like the idea. A solid majority in national surveys supports the notion of a shorter workweek and less pay in exchange for job security.

The idea of a shorter workweek, at least until the recession is over but maybe forever, is also gaining popularity in other European countries, including France, Belgium and Spain.

In Italy, the slogan is: "Work less, and everyone works." It is in France, however, that the four-day week is becoming a national cause. Pierre Laroutrou, a management consultant in Paris who has become known as "Laroutrou le Gourou," is leading the campaign for a four-day, 33-hour week to replace the current five-day, 38-hour week. Claiming that shorter hours will create millions of new jobs without

hurting productivity or the competitiveness of French products on world markets, he is calling for a national referendum to make the four-day week national law by 1996.

Michel Rocard, newly elected leader of France's opposition Socialist Party, calls the shorter week "an urgent, worthy and responsible objective." He says: "People want to get more out of their lives than having a steady job, even if they have to sacrifice a little income. An extra day would improve family relations and encourage people to use their time to learn new subjects and skills. That, in turn, would help the economy because people would be able to adjust to rapid technological change rather than remain stuck in the past."

The Conservative prime minister, Edouard Balladur, is not as keen. More regulations on employers hardly fits in with his philosophy of promoting private business and labor flexibility.

Theory is one thing, of course, and practice another. In Saint-Cosme-en-Valrais, a town of 2,000 dominated by the local Simmonds auto components factory, the plant's 600 employees were recently asked to vote on the company's future employment policies. Either 150 jobs would be cut and hours and wages would remain the same, the company said, or the wages and hours could be trimmed and only 110 jobs lost. The workers voted to keep their pay, even if that meant 40 more co-workers would be laid off.

In Wolfsburg and in other German towns with VW plants, workers so far seem satisfied with the four-day week, despite the fears of some union leaders that the shorter week might be used to force workers to produce as much as they did in five days.

Many economists, on the other hand, fear that a four-day week will only add labor costs - mostly in the benefits and administrative costs required for keeping on more workers - and thus hurt productivity. Critics say the VW move is cynical and desperate, born out of political pressure from the company's largest shareholder, the government of Lower Saxony. The current government is a Social Democrat/Green Party coalition that may prefer not to be embarrassed by big layoffs before the next local elections in March.

In any event, it has yet to be proved that a four-day week can help improve productivity or competitiveness, or that it can help make better cars. Skeptics say that VW still has 30,000 workers too many and will continue to be plagued by overcapacity and inefficiency.

Europe, the critics say, appears to be focused on sharing jobs that exist today - and are disappearing - instead of concentrating on creating new jobs for tomorrow. "Volkswagen has to cut costs - there is no other option at this point," says Peter Pietsch, an economist at Commerzbank AG in Frankfurt. "But the shorter work week is not the solution for bringing Germany out of recession. We need to work more, not less." T.H.

## Economic Outlook / Structural Stress

### Free Markets in Collision With the Social Safety Net

Continued from page 11  
Calingaert, a Brussels-based consultant who is also a senior policy researcher at the National Planning Association in Washington, says economic logic dictates that European governments should cut their spending and rein in social welfare programs. "But that's economic logic, and it runs counter to political and social pressures," he says. "Any democracy, once it has given people those kinds of benefits, finds it very difficult

to take them away. How Europe can square that circle, I don't know." Instead, Europe seems to be lurching about seeking stop-gap measures. Yes, cuts in interest rates may boost investment, the four-day week may keep some people at work a little longer and multibillion-dollar infrastructure projects may temporarily boost employment in some areas. But none of those measures will change the unproductivity, high costs of doing business and

inflexibility of both labor and management. Bob Hormats, vice chairman of Goldman Sachs International, describes himself not as a Euro-pessimist, but rather as a Euro-skeptic who still sees some hope. "Yes, it's possible for Europe to come back, but that is going to require sustained restructuring of both industry and the work force," he says. "There's still a lot of painful cost-cutting to be done before Europe can strengthen competitively. And it's going to be more difficult than it was in America because Europeans are used to that higher social safety net." Mr. Hormats adds, however, that Europeans are aware that major changes are necessary. "The public, I think, wants a clear message," he says. "They want to be told what's wrong with the economy, what has to happen to put it on the road to sustainable growth, how long it will take, and what pains will be necessary to make the adjustment." Timothy Harper

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ADVERTISING SECTION

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World Trade / Barriers to Agreement

GATT: The Grappling Goes On

The long drive toward a new General Agreement on Tariffs and Trade treaty has been both helped and hurt by the global recession.

On one hand, there is widespread agreement that free trade is a spur to economic growth; it is one way to help the world climb out of recession.

On the other hand, hard times are a big reason that individual countries and trading blocs are fighting so hard to preserve their threatened industries.

The one thing that is certain is that no one country — indeed, no one trading bloc — is eager to be left out.

During more robust times, free trade was not such a worry — particularly in Europe, where commerce among the 12 countries of the European Community single market account for an astounding one-third of all world trade.

general of GATT, says the notion of falling back on regional blocs nowadays is "self-delusion."

GATT, initiated during the recovery from World War II in part to aid in the rebuilding of Europe, became more important as the old multilateral trade system — with countries forced to negotiate trade on a one-to-one basis, commodity by commodity — began collapsing in the 1960s and '70s.

The theory that GATT follows is that free trade is good for the world. Under the theory, free world trade means open global competition.

Without tariffs, subsidies, quotas and other trade restrictions, the open market will favor the best products — those that offer the mix of quality and price that countries, companies and consumers want.

This efficiency will reward

productivity, according to the theory, which will in turn help keep prices low and quality high.

By 2005, according to a new report by GATT economists, an agreement reached next week could boost world trade by as much as 12 percent, and mean a \$230 billion increase in world income.

No one can say exactly what this would mean to everyday life, but certainly those figures would translate into hundreds of millions of additional jobs and better living standards.

While it is certain that the biggest importers and exporters, the major industrialized nations, will reap the biggest initial benefits from a new GATT pact, it is significant that 88 of the 116 GATT members are developing nations.

For those nations trying to "catch up," GATT would offer special provisions to make it easier for developing countries to import in-



U.S. representative Mickey Kantor (left) and the EC's Sir Leon Brittan negotiate in Brussels.

dustrial products that increase productivity and raise living standards. Similar special provisions would promote trade for textiles, clothing, fish and "tropical" products that are critical to developing-world export growth.

Despite all the promised benefits, however, this week's 11th-hour negotiations between the United States and the EC in Brussels might not have happened without several developments this autumn.

For one thing, Europe has been uneasy about the United States' move toward closer economic ties with Asia. For example, when the EC formally asked for a seat at the table — as an official observer — at the recent Asian Pacific Economic Cooperation summit in Seattle, the United States and the other 16 APEC nations said no.

The rejection stunned EC officials, and reinforced the growing worry in Europe that the Clinton administration is turning away from a tired, troubled Europe in favor of the shining promise of Asia.

From less than 5 percent in the 1960s, Asia now claims 25 percent of world production, and the United

States is now doing 50 percent more trading across the Pacific than across the Atlantic. East Asia has become the United States' top export market.

This worry about becoming an also-ran as the United States and Asia held hands surely helped push the EC, and particularly a recalcitrant France, back to the negotiating table.

Perhaps even more significant, however, was President Clinton's victory in pushing the North American Free Trade Agreement through Congress. The triumph provided a three-pronged spur on the eve of the Dec. 15 deadline — the last day Mr. Clinton can tell Congress he will present a GATT treaty before expiration of a special "fast track" ratification process that could save additional years of negotiations.

First, it gave the Clinton administration renewed purpose in approaching the GATT talks. Second, it convinced Europe, and everyone else, that Mr. Clinton was indeed committed to free trade.

Third, the politicking to get NAFTA through Congress showed that the Clinton administration was willing to compromise to achieve a trade

agreement. Compromise it did, even on issues such as the 1992 Blair House agreement, under which the EC had agreed to cut agricultural subsidies. Even after repeatedly vowing not to meet France's demands to renegotiate the farm pact, the administration did just that last weekend.

Whatever happens between now and the deadline, the only certain thing is that nothing is certain. Negotiators are still meeting in Geneva on the textile trade. France is still dissatisfied with many areas of the agreement, including agriculture, industrial tariffs, new global trading rules and what has turned into the bugbear of films and television programming. Anything could happen at the EC summit, or at the ensuing meeting of EC farm ministers.

Even at the last minute, French Prime Minister Edouard Balladur may yet decide to give his parliament a chance to vote on GATT.

Early in the week, Mr. Balladur was warning that "an excessive optimism" had characterized the 11th-hour negotiations between the EC's Sir Leon Brittan and Mr. Sutherland.

Business Briefs

There are currently 46 million "smart cards" in Europe. By 1997, this figure is set to rise to 427 million, according to industry sources.

The Munich and Nuremberg areas have been classified as top European growth regions, according to a current study of Europe's leading technology regions.

Germany leads France and Britain in total research and development expenditures by industrial companies.

By one criterion, Hungary has been the world's leading target of outside investment during the last two years.

Plastics processing, electronic technologies and printing are set to be the world's manufacturing sectoral growth leaders.

On a long-term basis, the EC does promote a high degree of economic integration. According to the OECD, the EC's founding member countries increased their intra-Community exports as a portion of total exports from 47 percent in 1957 to 64 percent in 1992.

longest working year and their Finnish neighbors its shortest, according to recent surveys. The Norwegians have an average of 21 paid days of vacation plus 8 official holidays. The Finns, on the other hand, have the same number of holidays, but 37.5 days of vacation.

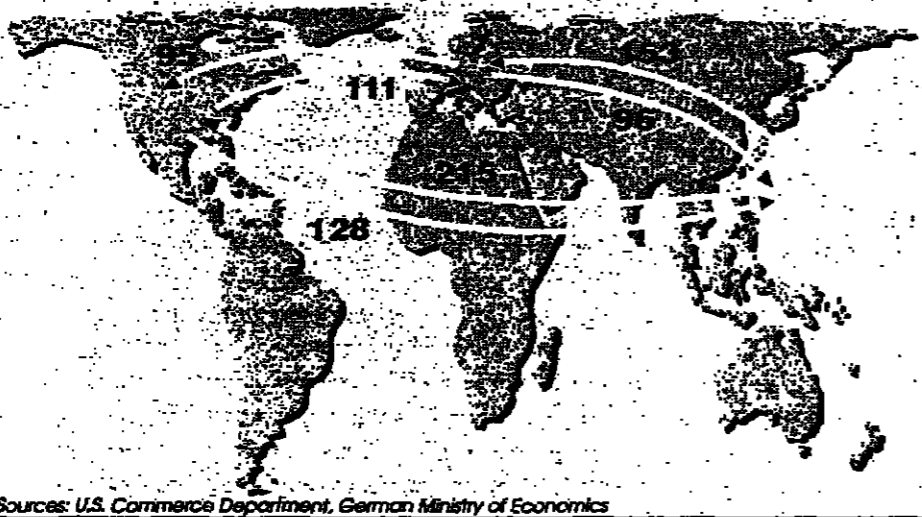
Germany's association of scientific foundations. All told, the EC's industrial companies spent 66 billion Ecus (\$73 billion) in 1991.

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WORLD TRADE PROFILE

The following figures show imports and exports among the European Community, the United States and the Pacific Rim nations in 1992 (in billions of dollars).



Sources: U.S. Commerce Department, German Ministry of Economics

Monetary Union / To Be or Not to Be?

In Search of Exchange-Rate Stability

While much of the public attention in Europe is currently focused on rising unemployment, company restructurings and cuts in public spending caused by the continuing recession, European Community leaders, bankers and businesspeople are increasingly concerned about future monetary and financial policy.

Signs that all was not well erupted in September 1992, when both the English pound and the Italian lira were effectively taken out of the Exchange Rate Mechanism (ERM), the system of ensuring stable currencies for the 12 member countries set up under the EMU plan.

Under the terms of the EMU, as agreed at Maastricht, all of the 12 members of the European Union, excluding Denmark and Britain, have agreed to create a single European currency by 1999 at the latest.

Moreover, the treaty sets up a complex set of economic convergence criteria — covering rates of inflation and public-sector borrowing as well as exchange-rate stability — that member states will have to meet prior to the implementation of the third stage of the EMU: the single currency launched under the supervision of a European Central Bank.

The problem is that the recession, together with turmoil on foreign exchanges,

has made such convergence less, rather than more, likely. The combined economy of the European Community is expected to shrink by almost 0.5 percent this year, according to EC Commission estimates, while employment is expected to rise by almost 2 percent.

Although the Commission expects gross domestic product to resume its upward trend next year, to about 1.3 percent, other analysts in the European banking community are already saying it could be just 1 percent or less.

Moreover, despite resumed growth, unemployment in the 12 member states is projected, according to the Commission, to rise from 10.6 to 11.2 percent in 1994.

Equally gloomy are projections that the total public-sector debt of the EC could amount to 6.5 percent of gross domestic product by the end of this year, double

the entry or realignment of currencies in the ERM and in national policy decisions taken by the existing central banks. Such proposals, however, are likely to be opposed by countries that want to retain the freedom to devalue their currencies should the recession worsen, as well as by Britain and Denmark.

Without what he called "a significant qualitative improvement" in exchange-rate stability, the goal of monetary union by the end of the decade could be at risk, he said.

The Commission's president, Jacques Delors, who is preparing a major policy paper on growth and competitiveness to be launched by the EC, also says that the achievement of monetary stability is "essential."

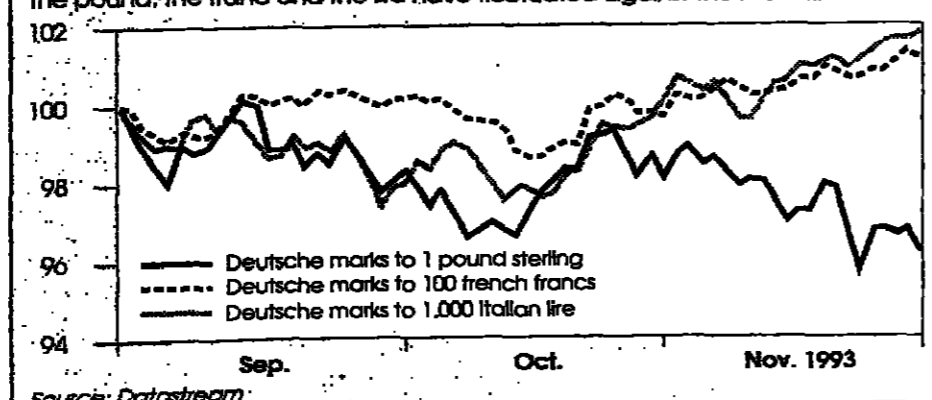
Speaking to ministers in Brussels at the end of October, he pointed out that because almost two-thirds of

many, France, Italy, Spain and Britain have been bolstered this year by heavy U.S. buying, as have German bonds. Europe has also benefited from heavy Japanese investment during the past few years.

To achieve progress, Mr. Maystadt and others have proposed that the new European Monetary Institute, the precursor of the central bank, should be allowed to play a greater role in decisions concerning

THE PRICE OF DIVERGENCE

Taking early September's exchange rates as a reference, this graph shows how the pound, the franc and the lire have fluctuated against the mark since then.



Source: Datastream

the Maastricht target. Sticking to a 3 percent limit, say some European Parliamentarians, could lower overall economic growth by up to 2 percent next year.

Others, however, argue that monetary stability and adherence to the staged policy of monetary union outlined in the treaty are essential to recovery and to Europe's international competitiveness. Belgium's

EC trade now takes place between the member states themselves, competitive devaluations — carried out in an effort to boost an individual country's exports — created a "no-win situation" for Europe as a whole.

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P.A.S.

SEEN THROUGH THE EYES OF IMAGINATION. AGFA.

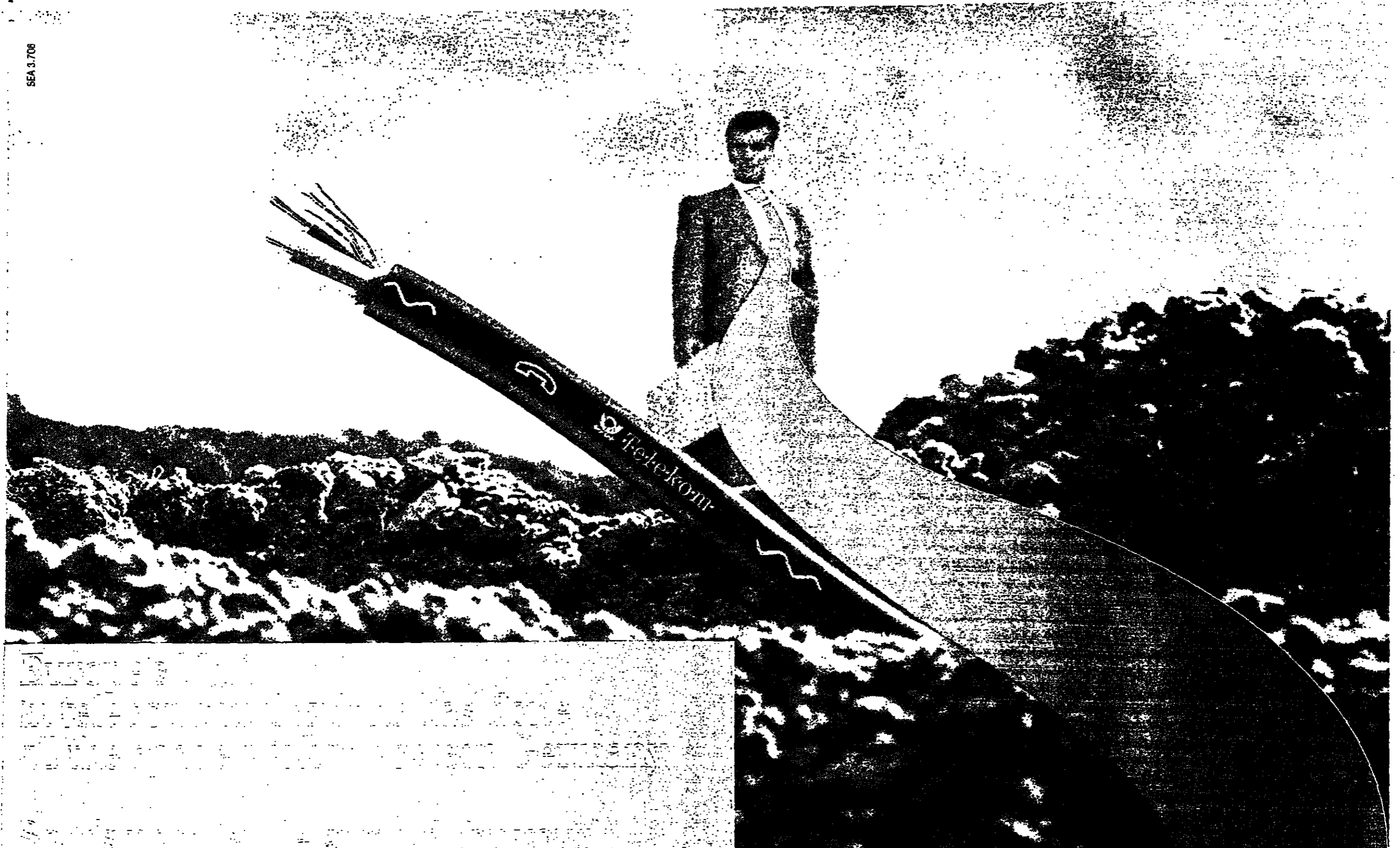


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NOTHING ESCAPES AGFA.

Telecom  
Array



*[Faded, illegible text, likely bleed-through from the reverse side of the page.]*

It's been a mere three years since the history-making reunification of Germany.

But the former East Germany is now well on the way to becoming one of the most potentially rewarding regions for international investors.

A compelling argument for this proposition is the ultramodern information and communications infrastructure which Deutsche Telekom has succeeded in creating in such a short time. It will cost a record-breaking investment of more than DM 60 billion, but the eastern part of Germany will soon possess the most advanced and sophisticated telecommunications network in the world. Just as we did in the previous West Germany, Deutsche Telekom is pioneering there the development of the universal ISDN network, international satellite communications, digital mobile systems and fibre optic cable access. In short, the so-called information highways still under leisurely consideration by other countries, are already up and running in the whole of Germany. So for international companies with an eye on a fruitful investment, all the opportunities offered by national and international communications are wide open: from telephone networks and fast data transmission to picture communications and the multimedia applications of tomorrow.

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Telecommunications / Big, and Getting Bigger

# Telecom Future Looks Bright As Array of Services Widens

Some industry analysts predict a fourfold growth in EC service revenues by the year 2010; others dispute the precise figure. They all agree, however, that telecommunications will remain one of Europe's fastest-growing industries in the near future.

Telecommunications was singled out for special attention during the run-up to the single market. Open competition was linked to the notion of a frontier-free Community, and European deregulation was in turn tied to economic survival in an increasingly global industry.

As the 1980s drew to a close, documents such as the EC Commission's Green Book were trumpeting claims that the industry would account for around 4 percent of Europe's GDP by the year 2000 and probably underpin one in four jobs.

More recently, the Arthur D. Little consultancy report, "Telecommunications Issues and Options," forecast a fourfold increase in EC services revenues by the year 2010. Based on a current figure of 4 percent to 5 percent in real revenue terms, it predicts average annual growth rates of around 7 percent for 1992-2010.

"Growth rates in the EC will peak early in the next century," claim the report's authors. They expect basic telephony revenues will register 2 percent to 4 percent annual growth until the year 2000, then stabilize at about 5 percent. Meanwhile, they say, the fastest-developing revenue earners, principally cellular and advanced voice services, will be surging

ahead with annual growth rates of 25 percent to 30 percent. Overall market growth will peak at around 11 percent and then settle back to 5 percent after the turn of the century, the report concludes.

Long-range forecasts like these are certainly based on viable data, but, like all statistics, they are largely a matter of interpretation. OECD analyst Dimitri Ypsilanti, for example, takes issue with the report's initial assumption of 4 percent to 5 percent growth. "Three percent is not out of the range, but I think 4 percent is probably high unless there is a significant contraction in other areas," he says. "A lot can depend on what you include within the service definition, whether you take in companies like EDS or IBM's networking side. But then the problem is, where do you stop? The Swift banking network is used for electronic fund transfer, so do you classify it as a banking or telecom activity? The airline reservation systems are another case in point. Setting the boundaries is a real problem."

Says David Cleevly, managing director of independent consultants Analysis: "The only way to add further growth is to redefine the spend by taking in new areas such as home entertainment, cellular services and all the associated information industries. The industry will continue to grow solidly, but spectacular growth will depend on the colonization of new areas such as multimedia."

Mr. Cleevly's Cambridge, England-based team built an

econometric model based on the industry's performance over the past 20 years. From a base of just over 1.5 percent of GDP in 1974, EC telecommunications revenues climb, flatten and then recover to nearly 2.5 percent by the year 2000. The best possible projection, taking into account multimedia applications, is just over 3.5 percent.

Last year, according to the Geneva-based International Telecommunications Union (ITU), the service revenues realized by European Community operators averaged only 1.9 percent of their respective national GDPs.

There was a wide spread, from the Belgian low of 1.4 percent to 2.5 percent in Portugal. Eastern Europe scored even higher, topped by the Czechs and Slovaks with 3.6 percent. But despite these regional differences, the underlying average remained almost constant.

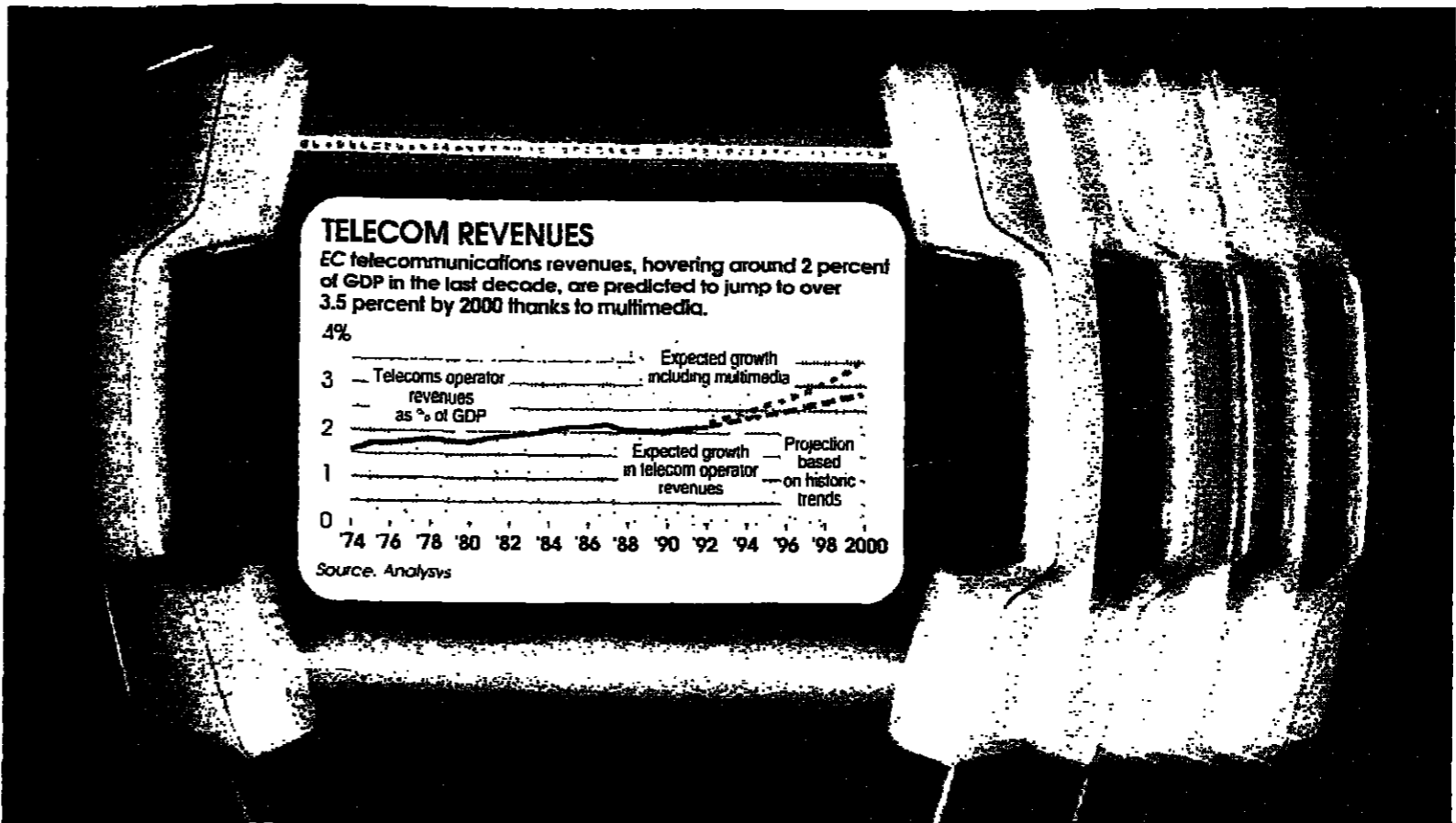
In real terms, however, 1.9 percent of GDP still represented a healthy \$125 billion, or average earnings of \$362 per head or \$825 per line for Europe's telecom operators last year.

An ITU report due to be published next year, World Telecommunication Development, throws the net even wider. By adding up the total value of operator services and equipment for use on or with the public network, it comes up with a figure of \$535 billion for world market value in 1992.

"You would expect telecoms, like most sectors, to follow the overall economy and therefore be touched by the recession affecting most industrialized countries," says ITU Telecom analyst Michael Mingos. "But telecom is apparently immune; it continues to grow."

Says James Woudhuyzen, an associate director of the Henley Forecasting Center: "With multimedia, cable, home entertainment and mobile coming onstream, we are seeing substantive changes clear across the category. In the United Kingdom at present, for example, Mercury is signing up 10,000 mobile subscribers per month, and five out of six of them are private subscribers." He says experts may be underestimating the telecommunications industry's economic contribution, although he is primarily concerned with the technology's socio-economic consequences. "By the end of the century, the phone will have become like another limb. That will change the way we communicate and travel; it will revolutionize work and leisure patterns."

Steven Bartlett



Audiovisual / Harmonization

# Standards in the International Television Race

Outside the television laboratories, there is a common perception that Europe is technically backward in television technology. Japan and the United States are engaging in a struggle to develop a form of high-definition television that will become standard throughout the world, while the United States is going it alone in such technologies as digitization. Meanwhile, the perception goes, Europe is flagging in the technical race and preparing to decide from whom it will buy the 21st-century technology for its hundreds of millions of viewers.

According to scientists and administrators, this perception is not necessarily correct.

Because of its cultural circumstances, Europe is playing a major role in a grab bag of technical issues that have a vital impact on users of new TV technology. The issues are summed up in one word: standardization.

At the level of the laboratory, points out one European Community source, television technology is global. While individual nations may predominate in a specific area, many of the advances that will determine how people use their televisions in the future occur on a multinational basis. Implementation of the technology, which determines exactly how much of the potential of technical advances actually becomes available to the public, is a regional matter, however.

The United States and Japan, both of which have homogeneous markets, face relatively few barriers to implementation of technology. This is not the case in Europe, with its span of cultures, languages and customers.

Indeed, for all its glamour, technology forms just a part of the whole process of delivering television services to viewers. Technology must be adapted to the local conditions - political, infrastructural and the like.

"Our message is that, in order to achieve the potential of the technology, a great deal of navigation must be done," says the EC expert.

A major contributor to this debate is the European group for digital video broadcasting. Digital video is an enterprise that brings together the whole of Europe.

In order to make digital terrestrial, cable and satellite television services available

to the European public as fast as possible, representatives from broadcasters, network operators, manufacturers and regulators have joined together.

"They have all come together on a voluntary basis," declares Armin Silberhorn of the German Federal Ministry of Posts and Telecommunications, who is the group's secretary. "So the group has no legal status."

It does, however, have strong influence. Earlier this year, it agreed on a memorandum of understanding that has the objective of developing "harmonized digital video broadcasting services in Europe."

That goal, the memorandum states, will be realized through "promoting and contributing to the definition of technical standards for digital television and their widespread utilization/adoption; facilitating the introduction of new services using those standards, which may

include studies on associated matters such as frequency planning and conditional access; and facilitating the closest possible coordination between pre-competitive R&D and standardization."

Concrete objectives of the memorandum include draft European standards by the end of this year in order to begin satellite and cable services for terrestrial digital video broadcasting for the end of 1995; a technology base within Europe that will position European enterprises to "fully exploit the market on a competitive basis for digital video broadcasting technology"; and facilitating the flow of information and cooperation with other parts of the world.

Digital technology has tremendous potential. At a technical level, it allows a lot of flexibility, particularly in constructing television systems on a modular basis.

One can imagine, for example, a TV set-up that permits viewers to see a Shakespeare play on high-definition television with perfect contrast and resolution, or to switch to four sporting events on the same single screen at a slightly lower level of resolution, or to take in 16 game shows, again on the single screen, at lower resolution yet.

In addition, digital technology permits far more efficient use of the electromagnetic spectrum than is possible with analog technology.

Digital technology will only gain acceptance in Europe, however, once the appropriate standards are set in place. That is the task of the group for digital video broadcasting.

Meanwhile, the group is keeping tabs on digital technology as it develops. "We are in contact with the United States and Japan," says Mr. Silberhorn. "The European project is moving ahead."

Peter Gwynne



In pan-European satellite service, broadcasters, manufacturers and regulators must work together.

Conversion / New Businesses for Old

# Trading Industry for Business Parks

Rioting miners smashing windows and clashing with police in Lorraine last month were reminders that conversion of Europe's declining heavy industrial sectors - coal, steel, iron ore, textiles and others - still has a long way to go, despite money from Brussels, the affected regions and their central governments.

Lorraine, in eastern France, has lost 110,000 jobs in these sectors since the 1970s, following an earlier slaying of 40,000 jobs. The European Development Pole, centered on Longwy, a distressed steel town, and encompassing neighboring areas of France, Belgium and Luxembourg, aims to provide 8,000 new jobs by 1995. To date, 2,700 jobs have been created, with another 1,800 in the pipeline, giving new hope to the region.

Light and service industries have been attracted by the region's geographical position and its proximity to the Luxembourg airport. A European college of technology has been established, and an international activity park is to follow that will offer inexpensive premises, an expansion capital fund and integrated networks.

The pole is part of the INTERREG program, which involves France, Belgium and Luxembourg and is the EC's biggest trans-border cooperation project. It aims at transforming this depressed "rust belt" area, once noted for its blast furnaces lighting the night sky, into a new-style European cross-border urban zone with modern transport links

underpinning training, research and innovation programs benefiting some 90,000 people. Local politicians, businesses and unions are working together, and efforts are also being made to improve the environment, notably by cleaning up the rivers.

These factors have encouraged a wave of foreign investment elsewhere in Lorraine, notably the South Korean company Daewoo's television plants. Lorraine has made good use of French government investment aids, which have attracted foreign companies employing 18,000 workers. In all, the region now has 260 foreign companies and is rapidly losing its old image.

Other traditionally industrial regions in Europe are undergoing similar transformations. The Black Country Development Corporation in the British Midlands, famed for automobile production, engineering and metal works, has been investing £200 million (\$300 million) of government and EC money to buy land for incoming businesses, build a new connecting highway between the sites and hand out grants. The area's onetime grim appearance is undergoing change, particularly following the planting of 300,000 trees.

The £200 million has already generated £450 million in private investment, halfway to the target of £1 billion, and the creation of 25,000 jobs. The centerpiece of the revival is the landscaped, 47 hectare (115 acre) automotive complex park. "We are still mainly in the nuts-and-bolts

business," says the development corporation's chief executive, David Morgan, "but the park will have a hotel, conference center and leisure facilities with swimming and tennis." He notes a 12 percent increase in the region's service industries. Ikea, the Swedish furniture group, is setting up shop near a 12-screen cinema, while new housing and offices line the traditional industrial canals, transformed in many cases into clean and pleasant waterways.

In industrial Piedmont, in Northern Italy, Fiat is converting obsolete plants, some into leisure centers and shopping malls. The most notable is the historic Lingotto plant in the center of Turin, built in 1918, with its own test track. The automobile giant, together with the Turin city council, the state railway authority, the INA insurance group and other investors, is keeping the shell of the building, admired by the architect Le Corbusier, and filling it with a congress hall, hotel, a branch of the university and a shopping mall, all designed by one of Italy's leading contemporary architects, Renzo Piano.

This American-style inner-city development has also been adopted in Lille in northern France, the center of an area once known for coal mines and textiles. Rising above and around the new TGV high-speed-train station is Eurallille, a 250-acre, \$800 million office, housing and leisure complex with hotels, concert halls and vast shopping malls.

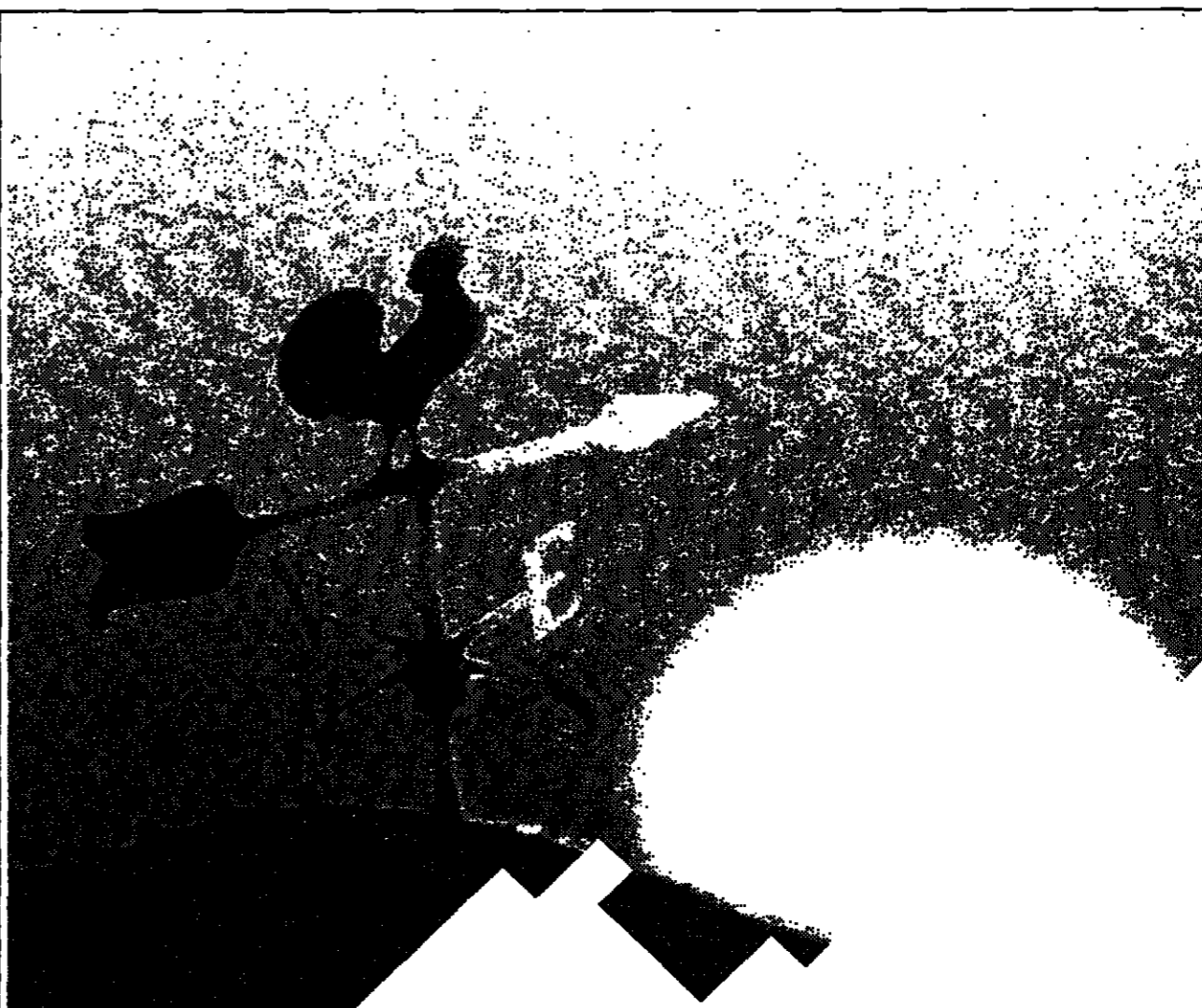
Chivasso has been turned into a modern industrial park, while the 1951 Innocenti factory at Imbrate, on the edge of Milan, is being converted into a major shopping mall.

Authorities in the Ruhr, Germany's industrial heartland, are stepping up their campaign to replace coal and steel with high-tech companies, environmental enterprises, and food and consumer-good makers. The Kommunalverband Ruhrgebiet in Essen says it has 800 hectares of restored land at "giveaway" prices of 50 to 100 Deutsche marks (\$30 to \$60) per square meter, a fraction of prices being asked in Munich, Frankfurt or even Dresden. Collaboration is offered with technical institutes and universities.

Japanese high-tech companies such as Alps in electronics and Shimatsu in medical technology are among the new generation of companies in the Ruhr that are filling some of the gaps in employment caused by the 60 percent decline in coal and steel over the past two decades.

Albert Suissa of Sofirem, the industrial development agency of Charbonnages de France, the French coal board, has placed 1,500 companies, French and foreign, on recuperated mining company land throughout the country and helped create 100,000 jobs. His prices are unbeatable: 10 francs to 100 francs (\$1.60 to \$16) per square meter per year, with 7.5 percent loans over 10 years and equity stakes if a new company so wishes.

A.T.



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# NYSE

Wednesday's Closing

Tables include the nationwide prices up to the closing on Wall Street and do not reflect late trades elsewhere. Via The Associated Press

12 Month High Low Open Div Yld PE 100 High Low Last Open Chg

12 Month High	12 Month Low	Open	Div	Yld	PE	100	High	Low	Last	Open	Chg
100	90	95	1.00	4.0	15	100	95	90	95	95	+5
110	100	105	1.20	4.5	15	110	105	100	105	105	+5
120	110	115	1.40	5.0	15	120	115	110	115	115	+5
130	120	125	1.60	5.5	15	130	125	120	125	125	+5
140	130	135	1.80	6.0	15	140	135	130	135	135	+5
150	140	145	2.00	6.5	15	150	145	140	145	145	+5
160	150	155	2.20	7.0	15	160	155	150	155	155	+5
170	160	165	2.40	7.5	15	170	165	160	165	165	+5
180	170	175	2.60	8.0	15	180	175	170	175	175	+5
190	180	185	2.80	8.5	15	190	185	180	185	185	+5
200	190	195	3.00	9.0	15	200	195	190	195	195	+5

12 Month High	12 Month Low	Open	Div	Yld	PE	100	High	Low	Last	Open	Chg
210	200	205	3.20	9.5	15	210	205	200	205	205	+5
220	210	215	3.40	10.0	15	220	215	210	215	215	+5
230	220	225	3.60	10.5	15	230	225	220	225	225	+5
240	230	235	3.80	11.0	15	240	235	230	235	235	+5
250	240	245	4.00	11.5	15	250	245	240	245	245	+5
260	250	255	4.20	12.0	15	260	255	250	255	255	+5
270	260	265	4.40	12.5	15	270	265	260	265	265	+5
280	270	275	4.60	13.0	15	280	275	270	275	275	+5
290	280	285	4.80	13.5	15	290	285	280	285	285	+5
300	290	295	5.00	14.0	15	300	295	290	295	295	+5

12 Month High	12 Month Low	Open	Div	Yld	PE	100	High	Low	Last	Open	Chg
310	300	305	5.20	14.5	15	310	305	300	305	305	+5
320	310	315	5.40	15.0	15	320	315	310	315	315	+5
330	320	325	5.60	15.5	15	330	325	320	325	325	+5
340	330	335	5.80	16.0	15	340	335	330	335	335	+5
350	340	345	6.00	16.5	15	350	345	340	345	345	+5
360	350	355	6.20	17.0	15	360	355	350	355	355	+5
370	360	365	6.40	17.5	15	370	365	360	365	365	+5
380	370	375	6.60	18.0	15	380	375	370	375	375	+5
390	380	385	6.80	18.5	15	390	385	380	385	385	+5
400	390	395	7.00	19.0	15	400	395	390	395	395	+5

12 Month High	12 Month Low	Open	Div	Yld	PE	100	High	Low	Last	Open	Chg
410	400	405	7.20	19.5	15	410	405	400	405	405	+5
420	410	415	7.40	20.0	15	420	415	410	415	415	+5
430	420	425	7.60	20.5	15	430	425	420	425	425	+5
440	430	435	7.80	21.0	15	440	435	430	435	435	+5
450	440	445	8.00	21.5	15	450	445	440	445	445	+5
460	450	455	8.20	22.0	15	460	455	450	455	455	+5
470	460	465	8.40	22.5	15	470	465	460	465	465	+5
480	470	475	8.60	23.0	15	480	475	470	475	475	+5
490	480	485	8.80	23.5	15	490	485	480	485	485	+5
500	490	495	9.00	24.0	15	500	495	490	495	495	+5

12 Month High	12 Month Low	Open	Div	Yld	PE	100	High	Low	Last	Open	Chg
510	500	505	9.20	24.5	15	510	505	500	505	505	+5
520	510	515	9.40	25.0	15	520	515	510	515	515	+5
530	520	525	9.60	25.5	15	530	525	520	525	525	+5
540	530	535	9.80	26.0	15	540	535	530	535	535	+5
550	540	545	10.00	26.5	15	550	545	540	545	545	+5
560	550	555	10.20	27.0	15	560	555	550	555	555	+5
570	560	565	10.40	27.5	15	570	565	560	565	565	+5
580	570	575	10.60	28.0	15	580	575	570	575	575	+5
590	580	585	10.80	28.5	15	590	585	580	585	585	+5
600	590	595	11.00	29.0	15	600	595	590	595	595	+5

12 Month High	12 Month Low	Open	Div	Yld	PE	100	High	Low	Last	Open	Chg
610	600	605	11.20	29.5	15	610	605	600	605	605	+5
620	610	615	11.40	30.0	15	620	615	610	615	615	+5
630	620	625	11.60	30.5	15	630	625	620	625	625	+5
640	630	635	11.80	31.0	15	640	635	630	635	635	+5
650	640	645	12.00	31.5	15	650	645	640	645	645	+5
660	650	655	12.20	32.0	15	660	655	650	655	655	+5
670	660	665	12.40	32.5	15	670	665	660	665	665	+5
680	670	675	12.60	33.0	15	680	675	670	675	675	+5
690	680	685	12.80	33.5	15	690	685	680	685	685	+5
700	690	695	13.00	34.0	15	700	695	690	695	695	+5

Continued on Page 28

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# France's GDP Grew Slightly In 3d Quarter

**Reuters**  
 PARIS — The French economy grew by 0.2 percent in the third quarter but private economists said Wednesday that a strong recovery was not at hand.

The national statistics office said gross domestic product in the third quarter rose at the same pace as in the previous three months.

The picture is of an economy bumping along the bottom, not taking off, said Gwynn Hacche at James Capel & Co. in London.

Market-sector GDP, which excludes state activities, was flat, rising just 0.1 percent in the July-September period.

Manufacturing production fell 0.6 percent in the third quarter, after a 0.6 percent rise in the second quarter, with the decline affecting all sectors except household appliances.

Automobile industry production fell 3.0 percent during the third quarter, after 1.6 percent growth in the second, while output in the agricultural and food and energy sectors rose.

Consumer spending extended its recovery in the third quarter, rising by 0.7 percent after growth of 0.6 percent in the previous three months.

Exports also increased, rising by

0.8 percent in the third quarter after three consecutive quarters of decline. However, they were largely offset by drops in inventories and investment, which economists tied to companies' stubbornly pessimistic outlook for business in the months ahead.

Economists said they expected economic growth to recover next year as recent cuts in interest rates took effect. But few are as optimistic as the government, which is forecasting GDP growth of 1.4 percent in 1994.

They said that as unemployment — already at a record 12 percent — goes on rising and July's increase in the social security tax impacts fully on personal incomes, consumer spending will drop off again.

Alexis Galibert of Warburg Bantock-Alain said the figures were a disappointment because, while they confirmed that household spending rose, they failed to reflect the results of recent surveys showing a pickup in business investment intentions.

The decline in business investment slowed to 0.5 percent in the third quarter from the previous quarter's 1.3 percent, but that still meant that there was no growth in investment since the third quarter of 1992.

# Oil Prices Dive — for Producers OPEC Comments Send Crude to a 5-Year Low

**Compiled by Our Staff From Dispatches**  
 LONDON — World oil prices plunged to their lowest level in five years on Wednesday after the Organization of the Petroleum Exporting Countries said it did not think it alone could rescue petroleum prices.

OPEC will adhere to its current quotas but "others should help," he said. "OPEC cannot be the swing producer."

Meanwhile, the International Energy Agency, which monitors supply and demand, said in its

# European Consumers Obtain Few Benefits

**Reuters**  
 LONDON — Oil markets are at their lowest levels since 1988, but European motorists would never know it.

Despite gasoline prices that are about half what they were in 1980 in inflation-adjusted terms, motorists have reaped little benefit. Instead, governments have taken advantage of falling prices to impose ever-higher taxes, industry analysts said.

"It is not good policy in these environmentally conscious days to keep road fuel costs so much cheaper than they used to be," Mr. Clarke asserted.

Other European governments are also playing on environmental concerns to justify gasoline tax increases.

In Germany, the taxes are due to rise 18 pfennig (10 cents) per liter from the beginning of next year. In the Netherlands, where gasoline is the most expensive in Europe — the equivalent of about \$1 per liter — the government pockets 75 percent of the price.

OPEC, which opposes energy taxes, argues that the levies are not really aimed at protecting the environment. "We are against it because we perceive its real purpose is not to clean up the environment, but to swell the coffers of the world's wealthier nations," Secretary-General Subroto said recently.

Because of the low oil prices, governments have been able to impose the heavy taxes without increasing retail gasoline prices significantly. But should oil prices rise, so would the political costs.

"If others wait for OPEC to have a miracle solution, I don't think we have it," said the president of the producer organization, Abdullah al-Attiyah of Qatar.

For instance, in 1980 four-star petrol in Britain, excluding tax, was 31.5 pence (47 cents) per liter in today's money compared with 16.1 pence per liter so far in 1993, according to Oil Prices Assessment Ltd., which monitors the retail market. But including taxes, British motorists are paying 54.1 pence now, compared with 59.3 pence in 1980.

In late London trading, January futures for the world benchmark Brent Blend of crude oil fell 5 cents, to \$13.51 per barrel. That was the lowest price since November 1988, extending a fall that has taken them from \$20 a year ago.

Nonetheless, British motorists are among the most privileged because, apart from Spain and Luxembourg, British gasoline is the cheapest in Europe.

But that may not last. In his recent 1994 budget, Chancellor of the Exchequer Kenneth Clarke committed the government to increasing petrol taxes 5 percent above inflation.

The tumble is blamed on flat demand in the sluggish global economy and, most recently, on an OPEC decision not to cut production quotas.

For instance, in 1980 four-star petrol in Britain, excluding tax, was 31.5 pence (47 cents) per liter in today's money compared with 16.1 pence per liter so far in 1993, according to Oil Prices Assessment Ltd., which monitors the retail market. But including taxes, British motorists are paying 54.1 pence now, compared with 59.3 pence in 1980.

Mr. Attiyah spoke to reporters in Damascus after informal talks with other OPEC ministers including Hisham Nazer of Saudi Arabia, the biggest exporter.

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The OPEC president reaffirmed the cartel's view that it was time for other producers from outside the group to curb exports and help it rescue prices.

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But that may not last. In his recent 1994 budget, Chancellor of the Exchequer Kenneth Clarke committed the government to increasing petrol taxes 5 percent above inflation.

Investor's Europe				
Frankfurt DAX	London FTSE 100 Index	Paris CAC 40		
2200	3000	200		
2100	2900	190		
2000	2800	180		
1900	2700	170		
1800	2600	160		
1700	2500	150		
Exchange Index Wednesday Prev. Close Close Change				
Amsterdam CBS Trend		140.80	139.80	+0.72
Brussels Stock Index		7,304.78	7,327.83	-0.31
Frankfurt DAX		2,148.13	2,115.46	+1.54
Frankfurt FAZ		823.23	815.07	+1.00
Helsinki HEX		1,567.52	1,559.74	+0.50
London Financial Times 30		2,484.50	2,429.80	+1.02
London FTSE 100		3,277.40	3,237.30	+1.24
Madrid General Index		Closed	303.70	
Milan MIB		Closed	1,262.00	
Paris CAC 40		2,205.31	2,178.12	+1.34
Stockholm Aftersvaerden		4,802.23	1,602.18	Unch.
Vienna Stock Index		Closed	468.09	
Zurich SSS		970.82	967.89	+0.28

**Very briefly:**

- Unilever NV said it would sell its stake of just under 30 percent in Gamma Holding NV, a Dutch textiles and fabrics concern; it said the stake had a market value of about 200 million guilders (\$104.8 million).
- Winterthur Swiss Insurance Co. sold its 28 percent stake in the insurance group Helvetia after failing to gain control of the insurer; the stake, valued at about 304 million Swiss francs (\$196.6 million), was sold to Patria AG, a life insurer that now owns about 39 percent of Helvetia.
- Skoda Automobila AS said it expected to have record production this year and a profit of 2 million to 5 million Deutsche marks (\$1.2 million to \$2.9 million), compared with 66 million DM in 1992; the result would make Skoda the only profitable automaker in the Volkswagen AG group.
- Mitteldeutsche Braunkohle AG, a lignite mining company in Eastern Germany, was sold to a consortium including PowerGen PLC of Britain and Morrison-Knudsen Corp. of the United States for 2 billion DM.
- Deutsche Bank AG is considering buying a stake in the French regional bank Credit Industriel d'Alsace & de Lorraine.
- The EC Commission has begun an investigation into a tax break granted to airlines by the German government, a commission spokesman said. The tax deduction related to purchases of aircraft used on international routes.

# Philips Disappointed By Digital Cassette Sales

**Compiled by Our Staff From Dispatches**  
 AMSTERDAM — Philips Electronics NV said Wednesday that sales of its digital compact cassette players had fallen well short of its previous forecasts.

The company sold only 150,000 units in the 12 months since its introduction in November 1992, well below expectations of up to one million units.

The player represents the second generation of digital-audio technology developed by Philips, which is aimed at competing with Sony's MiniDisc compact disc system.

"Sales could have been better," a spokeswoman for Philips said. "But you have to take into account that the average price

of a DCC player is around 1,400-1,500 guilders (\$730-\$780), and there is a severe economic recession going on."

Pieter Boegels, the Philips executive in charge of DCC, was quoted in an industry publication as saying the price of DCC players would have to fall to the same level as compact-disc players before consumers would buy them in large numbers.

Mr. Boegels also said Sony's MiniDisc product had also sold only 150,000 units so far.

The Philips spokeswoman said the company would introduce a car stereo version of the DCC in the Dutch market this week.

# DELORS: A Prescription for Jobs

**Continued from Page 1**  
 Europe's jobs crisis "is in the hands of national governments," he said, adding that EC leaders must give a clear commitment to attack the problem at the summit meeting and give an annual review of their progress, even if they haven't agreed on specific recommendations.

For all the criticism of the plan, including a bashing from EC finance ministers only three days ago, the fact is that Mr. Delors' paper is the only plan the EC leaders have. And Mr. Delors is assured of strong support from the French president, François Mitterrand, who first suggested the idea for a big European borrowing program earlier this fall, and Prime Minister Jean-Luc Dehaene of Belgium, who will chair the summit meeting as holder of the rotating EC presidency.

"The struggle against unemploy-

ment is at present the greatest challenge facing" the Community, Mr. Dehaene said in a letter to leaders spelling out his agenda for the summit meeting.

Mr. Delors defended the plan's call for major spending on trans-European networks, including highways and railways as well as fiber-optic links for everything from computers to interactive television. The bulk of the 20 billion European currency units (\$23 billion) of annual spending would come from existing EC resources, he said, with only 8 billion Ecu a year of borrowing needed.

Although Mr. Delors' term runs until the end of next year, he is fast approaching lame-duck status. The job plan is clearly meant to be his third and final European achievement, following the single-market program and the Maastricht Treaty on European Union.

# AEG: A Sweeping Reorganization

**Continued from Page 9**  
 the latter unit shedding a production plant in Berlin for a savings of 180 million Deutsche marks (\$106 million) a year, Mr. Stöckl said.

Mr. Stöckl predicted the company would return to profit in 1995. Last year it had an operating loss of 200 million DM.

The company's annual revenue is expected to total 9.3 billion DM after the reorganization, down from 11.6 billion DM in 1992. This year's operating loss is expected to be considerably higher than the 1992 level.

By German accounting standards, Daimler-Benz posted a 180 million DM net loss in the first nine months of 1993. But by U.S. accounting rules, which the company began using after listing its shares on Wall Street this year, its 9-month loss was more than 10 times that level — 2 billion DM.

AEG has been in dire straits for more than a decade. Its financial performance failed to improve after Daimler-Benz bought a controlling interest in the company in 1985.

Mr. Stöckl, who took charge of the company in 1990, has already presided over the sale or closure of AEG's office equipment, cable and mobile communications operations, which were considered either too small to survive or nonessential to the Daimler-Benz corporate vision.

He also bought an East German train maker that is now the core of Daimler-Benz's rail-transportation activities.

Daimler-Benz, Germany's biggest industrial conglomerate, encompasses the activities of Deutsche Aerospace AG, the truck and carmaker Mercedes-Benz AG and a financial services company, Debis, in addition to AEG.

# Air France Asks 2,100 to Go

**Reuters**  
 PARIS — Air France, which was crippled by a strike in October when it sought to eliminate 4,000 jobs, plans to ask for 2,100 voluntary job reductions, an airline spokesman said Wednesday.

The layoffs, which include 1,100 early retirements, are included in a plan to cut costs at the loss-making French national airline that will be made public on Monday, the spokesman said.

Air France, which is expected to have a loss of 7 billion francs (\$1.2 billion) this year, was hit in October by a strike of ground personnel that lasted more than a week.

The company president, Bernard Attali, resigned when the plan was withdrawn by the government, which was alarmed by public sympathy for the strikers. The strikers had closed Paris airports several times to foreign airlines by invading landing strips.

# NASDAQ

**Wednesday's Prices**  
 NASDAQ prices as of 4 p.m. New York time. This list compiled by the AP, consists of the 1,000 most traded securities in terms of dollar value. It is updated twice a year.

12 Month High Low Stock Div Yld PE Ratio High Low Latest Chg	12 Month High Low Stock Div Yld PE Ratio High Low Latest Chg	12 Month High Low Stock Div Yld PE Ratio High Low Latest Chg	12 Month High Low Stock Div Yld PE Ratio High Low Latest Chg
100 110 120 130 140 150 160 170 180 190 200	200 210 220 230 240 250 260 270 280 290 300	300 310 320 330 340 350 360 370 380 390 400	400 410 420 430 440 450 460 470 480 490 500
500 510 520 530 540 550 560 570 580 590 600	600 610 620 630 640 650 660 670 680 690 700	700 710 720 730 740 750 760 770 780 790 800	800 810 820 830 840 850 860 870 880 890 900
900 910 920 930 940 950 960 970 980 990 1000	1000 1010 1020 1030 1040 1050 1060 1070 1080 1090 1100	1100 1110 1120 1130 1140 1150 1160 1170 1180 1190 1200	1200 1210 1220 1230 1240 1250 1260 1270 1280 1290 1300

NYSE

Wednesday's Closing Tables include the nationwide prices up to the closing on Wall Street and do not reflect late trades elsewhere. Via The Associated Press

(Continued)

Table with columns: 12 Month High, Low, Last, Div, Yld, PE, etc. Lists various stock prices and market data.

REWARDS: Some Say Material Incentives Reduce Interest in the Job

Continued from Page 9 of money as a comfort rather than a goal. A survey of more than 50,000 job applicants at utility companies, made in 1978, found that pay ranked sixth out of 10 job factors (although the poll's respondents indicated they assumed other people would put money first.) In 1991, a poll showed that even among sales people widely assumed to be fixated on money, increased compensation was the least commonly cited reason for changing jobs.

But the core of Mr. Kohn's book, and its most controversial aspect, is a long appreciation of the research of Edward Deci at the University of Rochester and Mark Lepper at Stanford. They insist that material rewards not only do not motivate well but actually poison natural motivators such as curiosity and self-esteem. Mr. Lepper watched children in the Head Start preschool program react to an experiment on the use of Magic Markers. Some were told that if they used the markers they would be given a special certificate; others were not told to expect any such reward. After a week, the children who had been told they would get a certificate not only were using the markers less frequently than the other children; they were using the markers less frequently than they themselves had used them a week earlier, before they had learned of the reward. From this and other studies, Mr. Deci concluded that "money may work to 'buy off' one's intrinsic motivation for an activity." Mr. Deci and Mr. Lepper speculated that people felt they were being manipulated when they were offered a reward. Although they might do what was necessary to receive their prize, it appeared to taint what had once been an enjoyable activity. Some critics say this theory overlooks the "contrast effect," or sudden disappointment when the reward is no longer available.

Table with columns: 12 Month High, Low, Last, Div, Yld, PE, etc. Lists various stock prices and market data.

ADVERTISEMENT

INTERNATIONAL FUNDS

Quotations supplied by funds listed. Not asset value quotations as supplied by the Funds listed with the exception of zero quotes based on issue prices. The marginal symbols indicate frequency of quotations supplied: (d) - daily; (w) - weekly; (b) - bi-monthly; (q) - quarterly; (s) - semi-annually; (m) - monthly.

Large table listing various international funds with columns for fund name, asset value, and other financial metrics.

For information on how to list your fund, fax Simon OSBORN at (33-1) 46 37 21 33.

Corp. ing Plan k surge

MEX

سكوا من الاصل

News Corp. Pulls Voting Plan, Stock Surges

SYDNEY — News Corp. shares surged on the Australian Stock Exchange on Wednesday after the worldwide entertainment and publishing company withdrew a proposal to create a class of shares with enhanced voting rights.

Thai Banks Slash Rates Move Could Send Money Into Stocks

BANGKOK — Three of Thailand's largest banks said Wednesday they would cut interest rates they pay on deposits, in a bid to reinvigorate the large amounts of cash now parked in money-market funds.

Malaysia's GDP Beats Forecast

KUALA LUMPUR — Reflecting strength in manufacturing and construction, Malaysia's gross domestic product rose an inflation-adjusted 8.1 percent in the third quarter, faster than official predictions, Bank Negara said Wednesday.

Investor's Asia. Table with columns for Hong Kong, Singapore, Tokyo, Sydney, Kuala Lumpur, Bangkok, Seoul, Taipei, Manila, Jakarta, New Zealand, Bombay. Includes exchange rates and stock indices.

Very briefly:

- Japan's lower house of parliament passed a second supplementary budget of 709 billion yen (\$6.57 billion) for the fiscal year ending on March 31, bringing the overall budget to 75.25 trillion yen.

Hitachi Claims Breakthrough in Chip Technology

TOKYO — Hitachi Ltd. said it had overcome a hurdle blocking development of a fantastically tiny and powerful computer chip. It has demonstrated what it says is the world's first electronic memory that uses only a single electron to store information.

METAL: Executive on Probation as Company Takes Turn for the Worse

AG, Dresdner Bank AG, and Allianz AG Holding — have sizable minority stakes in the company. The two banks take terms designating the chairman.

China Bid to Plug Leaks Of State Firms' Assets

BEIJING — China, which has seen billions of dollars in state assets slip illicitly into private pockets during economic reform, is drafting a law to boost supervision of state companies as they revamp business operations.

Flat Profit Outlook Hits Sega Stock

TOKYO — Shares in the video game maker Sega Enterprises Ltd. tumbled 2-1/2 percent, or 2.9 percent, to 7,980 yen (\$74) on Wednesday amid concern over flat earnings prospects.

Japan Study Sees Profit In Imported Rice Sales

TOKYO — The government could make 350 billion yen (\$3.25 billion) profit in 2000 from selling imported rice at domestic prices — which are above those on world markets — if it accepts partial market opening, Fuji Research Institute Corp. said Wednesday.

AMEX Wednesday's Closing. Large table of stock market data including high, low, open, close, volume, and change for various stocks and indices.

# SPORTS

## Atlantic 10 Basketball: Wise Old Owls Now Playing With the Eagles

By Malcolm Moran  
New York Times Service

NEW YORK — They weren't going to make it home. Of all the possibilities Ron Bertovich faced that messy Sunday last March, selection Sunday, the day that can define or destroy years of effort, the one thing the commissioner of the Atlantic 10 Conference realized was that a family tradition would have to be rearranged.

The blizzard had slowed the trip home to New Jersey from the league's women's tournament in Washington. His wife, Cheryl, and his daughters, Meghan and Kimmi, would not be able to watch the pairings for the national collegiate basketball tournament at home. But there were too many hopes at stake to miss this announcement. They would have to stop along the way.

As they watched from a hotel room in Philadelphia, Bertovich struggled to scratch a makeshift bracket into the first-grade spelling tablet that belonged to Meghan, who attended her first game — George Washington at Rutgers — at the age of 3 weeks. They waited for the names, and hoped.

Rhode Island...  
Massachusetts...  
Temple...  
George Washington!

Four teams! The commissioner's most optimistic hopes were flashing across the screen. His conference's most successful season had been rewarded. The power ratings had not failed his teams.

The power politics had not betrayed his coaches. Through the years, there had been many victories, but this was a triumph.

After 18 seasons in several incarnations — some relatively obscure, and nearly all of them in the long shadow of the Big East — the Atlantic 10 had at last become an overnight success.

Now, in a new season, its spotlight is becoming as bright as it has ever been, with Massachusetts beating top-ranked North Carolina in the preseason National Invitation Tournament and Temple going to Kansas, grabbing a surprising lead, and preventing the Jayhawks from even making a serious run in the final minutes.

A league once known as the Eastern Athletic Association (aka the Eastern Eight), and before that as the Eastern Collegiate Basketball League, has established a position somewhere between the instability and anonymity of its early years and the automatic annual respect accorded traditionally elite leagues.

After placing fourth in the nation in the computerized rating of conferences last season, ahead of the Big East, Southeastern and the Pacific-10, the Atlantic 10 has achieved the most extensive television exposure in its history, including four consecutive February Sundays on ABC: Massachusetts vs. Kentucky, Massachusetts vs. Temple, Temple vs. Louisville and Temple vs. Duke.

Massachusetts, which had not made a National Collegiate Athletic Association appearance since 1962, has played in the last two tournaments under John Calipari.

George Washington's appearance last March, and then-freshman center Yinka Dare developing under the coaching of Mike Jarvis, was its first since 1961. Energized programs are reawakening long-lost passions against the backdrop of campus gyms and arenas. Temple

is rated No. 5 in the latest Associated Press poll, with Massachusetts at No. 8.

And yet in a national landscape that may soon change dramatically as major powers consider mergers into megaconferences, there remains some emotional residue from the days when Villanova, Pittsburgh and Penn State left with better offers and the lack of a strong identity created the distractions of uncertainty.

D.J. DiJulia, the athletic director at St. Joseph's University, who has observed the Atlantic 10's growth as both an outsider and a member, senses that the top teams in the league do not receive the credit they have earned.

"I still don't think the mind-set is that to win the Atlantic 10 you have to be good enough to beat the top two or three teams in the following conferences — the Pac-10, SEC

and Big East," DiJulia said. "It's like beating UCLA, Kentucky, Georgetown. Yet people don't say, 'What an accomplishment!'"

But in a business where, as Larry Brown once suggested when he coached at Kansas, tradition now consists of whoever was on television on Saturday night, the Atlantic 10 continues to change those perceptions, particularly in the eyes of the adolescents whose decisions determine the balance of power.

That was part of the plan. Powerful programs keep the weak weaker by imposing unreasonable demands when negotiating non-conference matchups. They will refuse to play on the lesser team's court, or insist upon two home games in a three-game agreement.

After John Chaney arrived at Temple 11 years ago, he discovered a way to overcome this problem.

He said yes anyway. He said yes a lot.

"The Big East could afford to sit in the wagon because they had a strong horse — TV," Chaney said. "They could afford to go out and play four or five games. If you have a strong horse that's pulling your cart, that's great."

"When I came here," Chaney remembered, "I had a list of 50 or 60 schools. If we had to play them at their place twice, or two times out of three years, I didn't care. We became perfect matchmakers. They would match us up with four or five teams because we were willing to play on the other team's court. We may have lost games, but we were highly visible, and that helped the recruiting process. We may have lost, but kids saw us on TV."

He had used a similar strategy at Cheyney State, outside Philadel-

phia, where Chaney's teams won 225 games in 18 seasons, including the 1978 Division II national championship.

"I took the wildest approach," he said, "but you can only do that if your job is secure. I never felt threatened. Some coaches have to be concerned. You can schedule yourself out of a job."

At Temple, the opposite happened. The Owls thrived. They began a run of nine NCAA tournament appearances in 10 seasons, including quarterfinal appearances in 1988 and last spring.

Mark Maccon, a highly recruited player, wanted to play for the Owls. Bertovich, who had been using a commissioner's influence to preach the importance of tough games for the sake of the power rating, now had Temple as an example to cite.

And when Calipari was hired at Massachusetts in 1988, after the Minutemen had endured 10 consecutive losing seasons — including three without a league victory — he had a formula to follow.

"We looked at their blueprint," Calipari said of the Owls. "You're talking about two totally different styles of basketball, but the idea was not the styles. The idea was how did they get on national television? How did they step outside the league?"

The first strong sign of the UMass breakthrough season in 1992 was an early January victory over Oklahoma at Springfield, Mass., in a series that called for two games in Oklahoma; out of the three.

This season, the Minutemen's nonconference schedule includes the NIT victory over North Carolina and the championship-game loss to Kansas, a victory two days later at Oklahoma, plus games against Cincinnati, Florida State, and Kentucky.

"I waited until I got a contract," Calipari said. "I'm dumb, but I have a little bit of sense."

The top of the league now faces the task of finding a path beyond the NCAA quarterfinals while its identity is challenged by potential changes in conference alignments, possibilities that grow more serious as the 1995 expiration of the College Football Association agreement nears.

Three schools — Temple, Rutgers and West Virginia — also belong to the Big East football conference, which will soon consider expansion of its all-sports membership.

Bertovich said the Atlantic 10 may expand for next season by mid-January. He did not want to mention possible additions. But speculation in the last year has centered on Xavier of Ohio, La Salle and Fordham.

A task has changed, from creation to preservation, to build upon a moment that happened last March.

The commissioner was in Salt Lake City, where Temple was playing a first-round tournament game, when Rhode Island's victory over Purdue was announced to the crowd. All those miles from home, the Temple fans cheered, and a one-overlooked conference became just a little stronger.

"Right there," Bertovich remembered, "you say it's all worth it."

## Defense Saves Knicks, Magic

The Associated Press

The New York Knicks scored 10 points in the third quarter, and still won easily. The Detroit Pistons scored a record-low 6 points in the fourth period, and were not beaten until the final seconds.

In a reflection of the increased emphasis on defense in the National Basketball Association these days, teams have a chance to win even when their offense falls to pieces for long periods.

The visiting Knicks missed 13 of 18 shots in the third period, when they allowed the Los Angeles Lak-

ers to get as close as 62-60 with two and a half minutes gone in the final quarter, but the Knicks then went out of reach on a 20-6 run.

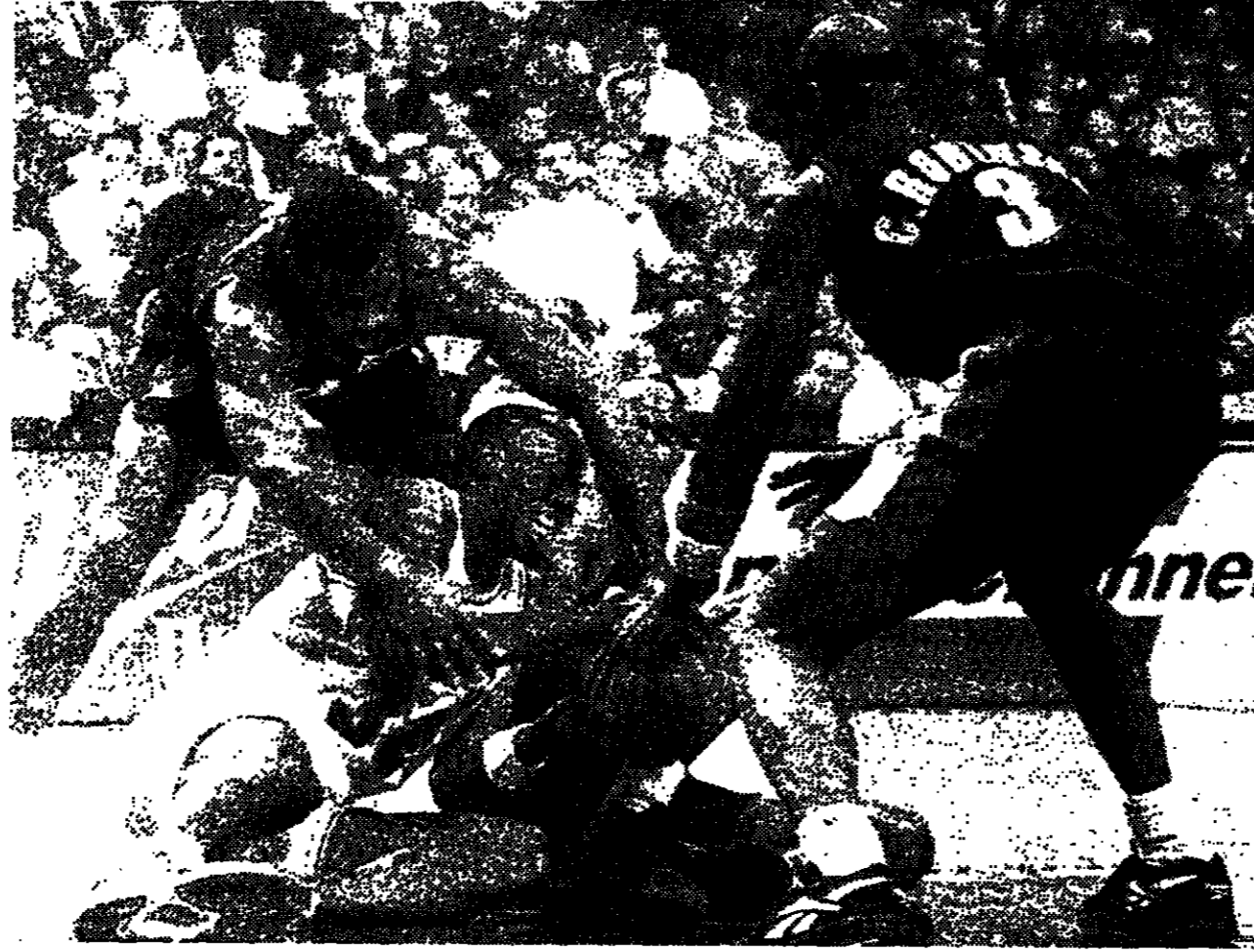
Ewing scored 11 points in the final quarter and the Knicks made 12 of 19 shots from the field in the period.

Rockets 121, Hornets 102: Houston stayed unbeaten at home and ran its record to 17-1 as Otis Thorpe scored a career-high 40 points against Charlotte.

The Rockets, who tied an NBA record with a 15-0 start before losing at Atlanta last Friday, have their sights set on New York's 23-1 record, the best in NBA history with one defeat.

The Hornets have lost five straight games after an 8-4 start.

Thorpe scored 11 points in the second period and 12 more in the third, when the Rockets broke away from a two-point halftime edge to an 87-74 advantage.



Tyrone Hill was outmanned by Mark Bryant, Clifford Robinson and another Blazer, but the Cavs had the better figures, 109-100.

### NBA HIGHLIGHTS

ers, who had trailed by 49-31 at halftime, to pull to 59-54 going into the final 12 minutes.

But Patrick Ewing did plenty of damage the rest of the game, finishing with 29 points, 19 rebounds and six blocked shots in a 92-78 victory.

"We kept our poise and our defense created havoc," Ewing said.

In Orlando, the Pistons led by 83-66 going into the fourth period, but they were held to 2-for-20 shooting in the final 12 minutes as the Magic, with a 25-6 quarter, won by 91-89.

Anfernee Hardaway's 3-point shot put Orlando in front with 11 seconds left. When Terry Mills missed at the buzzer, the Pistons were saddled with an NBA record for fewest points in a fourth quarter, eclipsing the seven points managed by Houston against the Lakers on Nov. 15, 1991.

"This is ridiculous," said the Pistons' center, Olden Polynice. "We're a veteran team. We should be able to handle this situation and run our plays. This is all our fault."

The Pistons had made 68 percent of their shots in the third period and were shooting 60 percent for the game at that point.

Joe Dumars, who finished with 28 points, was the only Detroit player to score in the final period, when Orlando went with a smaller lineup and upped its defensive pressure.

Heat 106, Mavericks 101: Miami handed Dallas its 13th consecutive defeat and its eighth straight loss at home. Glen Rice scored 29 points.

Bulls 115, Clippers 111: Scottie Pippen scored 24 points and B.J. Armstrong had 20 as Chicago won at home despite Danny Manning's career-high 43 points for Los Angeles.

Manning tied the game for the last time, 108-108, then fouled Armstrong with 58 seconds left. Armstrong made the first free throw, and when the second went off the rim, Toni Kukoc tipped it in for a 111-108 lead.

Heat 106, Mavericks 101: Miami handed Dallas its 13th consecutive defeat and its eighth straight loss at home. Glen Rice scored 29 points.

## More Baseball Expansion in the Works for 1997?

SCOTTSDALE, Arizona — Bud Selig, major league baseball's acting commissioner, says talk of expansion for 1997 is premature. But he acknowledges that of the owners who had spoken with him about the subject, more favored expansion than opposed it.

Mr. Selig also confirmed that he had spoken extensively with Jerry Colangelo of the Phoenix Suns of the National Basketball Association, who heads a group that would own a franchise if one was awarded to Phoenix.

"I've talked to Jerry Colangelo a

lot," Mr. Selig said by telephone from Milwaukee. "But I've also talked to Vince Nannoli a lot." Mr. Nannoli is the head of a group that is trying to get a team for St. Petersburg, Florida.

Mr. Colangelo said 1997 appears to be the target for expansion. Asked about 1997, Mr. Selig said: "I wouldn't want to say it's possible or impossible. It just hasn't been discussed."

In other baseball developments: ● Otis Nixon has a new home, with the Boston Red Sox. The Associated Press reported.

Nixon, who declined to exercise

a \$2.5 million option with Atlanta, agreed to a \$7 million, two-year contract with Boston that could be worth \$9.25 million if a 1996 option is exercised.

● Rafael Palmeiro, the top remaining free agent, was among 38 players not offered salary arbitration. Texas, fearful he might accept the offer and get more than \$6 million in arbitration, forfeited its right to draft pick compensation.

Seventeen players were offered arbitration, 13 fewer than last year. The group included pitcher Fernando Valenzuela of Baltimore; outfielder Tim Lincecum and desig-

nated hitter Bo Jackson of the Chicago White Sox; pitcher Bob Ojeda, catcher Junior Ortiz and second baseman Jeff Treadway of Cleveland; pitcher David Wells of Detroit; third baseman Gary Gaetti and outfielder Hubie Brooks of Kansas City.

Players offered arbitration have until Dec. 19 to accept or reject, and they can continue negotiating with their old teams through Jan. 8. Players who weren't offered arbitration can't re-sign with their former clubs before May 1.

Among those not offered arbitration were Chicago White Sox

pitcher Tim Lincecum, Minnesota catcher Brian Harper, New York Yankees reliever Lee Smith and Texas pitcher Charlie Leibrandt.

● Four players agreed to contracts Tuesday, including three who re-signed before the deadline.

Pitcher Mark Gubicza and Kansas City agreed at \$550,000, a cut from \$1.25 million; Oakland and pitcher Edwin Nunez agreed at \$430,000, a raise of \$180,000; and Houston and outfielder Kevin Bass agreed at \$400,000, a cut of \$100,000. Outfielder Stan Javier and Oakland agreed to a \$1.2 million, two-year deal.

### DENNIS THE MENACE



### PEANUTS



### CALVIN AND HOBBES



### JUMBLE

THAT SCRAMBLED WORD GAME

Unscramble these four jumbles, one letter to each square, to form four ordinary words.

SOGOE

KECHT

NAANAB

GEPPIN

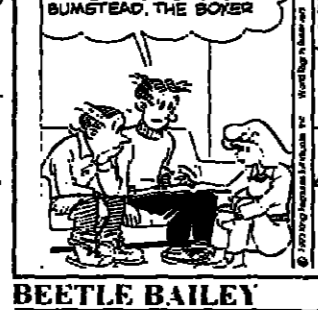
Answer here: A \_\_\_\_\_ THE \_\_\_\_\_

(Answers tomorrow)

Yesterday: Jamboree, Bacon, Raah, Friend, Magpie

Answer: Five of the jumble letters, in the order listed, spell a "THERMISTAD"

### BLONDIE



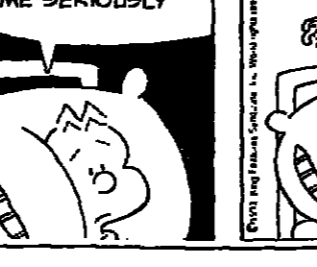
### WIZARD OF ID



### BEEBLE BAILEY



### REX MORGAN



### DOONESBURY



### GARFIELD



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SPORTS

Sampras and Stich Win in Grand Slam

MUNICH — Pete Sampras, who hadn't played much for two weeks, should have been rusty. Michael Stich, who has played a lot, should have been tired. But both posted quick victories Wednesday in the Grand Slam Cup.



Dennis Bergkamp, the scourge of English soccer, drove a shot by Norwich City goalie Bryan Gunn in the 88th minute to put Internazionale in the UEFA Cup quarterfinals.

Galatasaray Ties Again; Bremen, Barcelona Win

Compiled by Our Staff From Dispatches
Aitor Beguiristain scored two first-half goals Wednesday night to give Barcelona a 2-0 victory over visiting Monaco in a Group A match of European soccer's Champions League tournament.

Coming Soon to United States: Soccer, the Religion

By Robert Lipsyte
New York Times Service
NEW YORK — One of my jobs around here 30 years ago was taking London bureau chiefs once a week and recording their inane queries about 'g' again? Why does that chap just stand there, without making invidious comparisons to me?

simply must learn, as concerned citizens of the planet, as cognoscenti, as decent blokes and as international business dealers — what if a colleague from another country asks us what "nutmeg" means and we don't know it is a neat kick between an opponent's legs? Deal breaker!

reasons it was awarded to this undeveloped soccer country, was to leave a legacy for the sport's next generation, to build a foundation of youth programs. There is no sense yet that substantial money and energy have been spent on this mandate by the licensed promoters.

regional, so there should be plenty of ink and air to promote another cartoon adolescent. Maradona is a kicker of fortune, now playing for Argentina. He is called "el pibe" because he has good hair and is fun to watch. Now, if Maradona dates Madonna...

Faulk Opts As Junior for NFL Draft

By Samantha Stevenson
New York Times Service
SAN DIEGO — Running back Marshall Faulk, the preseason Heisman Trophy favorite who struggled through a disappointing season with San Diego State, has announced that he will apply for the National Football League draft, forsaking his senior season.

FOREBOARD

Table with columns for Standings, NBA Standings, and TUESDAY'S RESULTS. Includes various sports scores and league information.

U.S. Majors Added To Europe Ryder Cup Qualifying

By The Associated Press
VIRGINIA WATER, England — The three major golf tournaments held in the United States will count toward places for Europe's next Ryder Cup team, the European PGA said Wednesday.

Azinger Has Cancer, but Treatable

INGLEWOOD, California (AP) — PGA champion Paul Azinger has been diagnosed with lymphoma, a form of cancer that is expected to keep the 33-year-old Azinger sidelined for six to seven months while he undergoes chemotherapy and radiation treatment.

SIDELINES

INTRUM HOLDINGS LTD. (LONDON) — Intrum Justitia held off a strong challenge Wednesday from Tokio, then rebuilt a commanding second-stage lead as the leading yacht in the Whitbread 'Round the World Race'.

For the Record

The first Test match between West Indies and Sri Lanka was rained out in Moratuwa, Sri Lanka, it was to now begin Thursday (AFP). Katrina Krabbe, suspended two years by the IAAF for drug use, has approved arbitration and the case will be heard shortly, Kebe Mbaye, a member of the IOC executive commission and president of TAS, the sport arbitration service, said Wednesday (AFP).

Herald Tribune advertisement for living in the U.S. with contact information: 1-800-882-2884.

INTERNATIONAL CLASSIFIED advertisement listing various services like BELGRAVIA ORCHIDS, MERCEDES, BARONESS DE SILVA, BELLE EPOCH, and GENEVA PARIS.

Handwritten signature or mark at the bottom center of the page.

ART BUCHWALD Farewell, Snow White

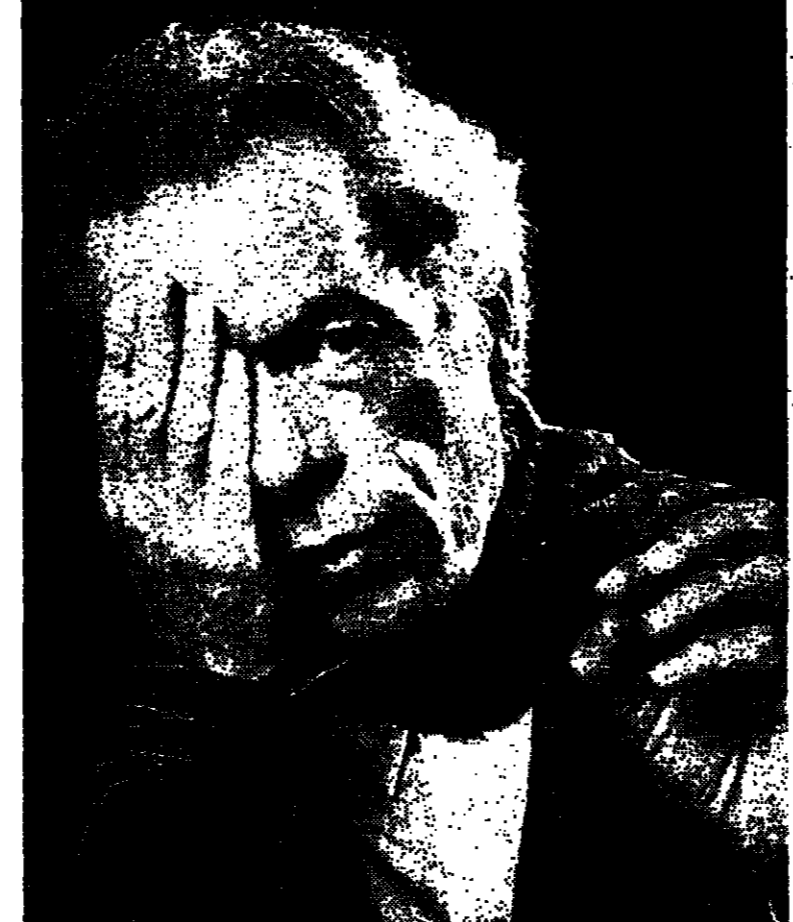
WASHINGTON — We are here to say good-bye to Pablo Escobar Gaviria, otherwise known to those who loved him as "El Snow White."



He wanted nothing in return. While hunting for federal narcotics soldiers in his jeep, he once told me, "My reward is to make people sing. That's why we are here on Earth."

Spalding Gray: Imitating Life and Art

By Bruce Weber New York Times Service



Spalding Gray in a scene from his latest monologue, "Gray's Anatomy."

NEW YORK — Near the end of "Gray's Anatomy," Spalding Gray's latest monologue, Gray describes an incident in which he was saved from drowning by three men who dragged him out of the water and then instantly propped him up so they could have their picture taken with him.

in shadow, in much of Gray's work. Gaunt and wan, wearing a white T-shirt and baggy pants bunched noticeably at the waist by a belt, he said he had gained 18 pounds recently and weighed 170 (77 kilograms), but that seemed dubious. He ate a spare lunch — grilled fish and greens — though nothing so sporadic as the raw vegetable diet the New Jersey ophthalmologist put him on, presumably to help his vision.

that the show ran 12 minutes longer than usual. His eyesight, after the surgery he tried to avoid, is better than it was but not all that good. On occasion, he needs a magnifying glass to read the newspaper.

the marriage exclusively, though that was the trigger for us. It's too difficult to live with right now, and Renee wants her independence as a director. She's upset that no one will recognize her as anything other than my director.

PEOPLE

Japan's Prime Minister On Best-Dressed List

Prime Minister Morihiro Hosokawa has been voted one of Japan's best-dressed men. The prime minister is among five winners of the annual award given by Japan Men's Fashion Unity, a fashion industry group.

Workers Demonstrate At La Scala Opening

MILAN — Laid-off metalworkers waved red flags and set off firecrackers outside La Scala as a fashionable audience arrived for the opening of the opera season.

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WEATHER

Weather forecast table for Friday through Sunday, including sections for Europe, Asia, Africa, North America, Middle East, and Latin America.

CROSSWORD

Crossword puzzle grid and clues. Includes 'ACROSS' and 'DOWN' sections with numbered clues.

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A WEEK IN THE LIFE OF THE TRIB. Plus daily. Monday: MONDAY SPORTS, Tuesday: STYLE, Wednesday: STAGE ENTERTAINMENT, Thursday: HEALTH/SCIENCE, Friday: LEISURE, Saturday-Sunday: ART/ THE MONEY REPORT. Includes a grid of daily topics and a 'Don't miss out' message.